General Du Pont Sees No Shortage of Capital

Money Rates No Higher in Proportion Than Salaries, He Says—Emphasizes Importance of Attracting Desirable Man-Power to Rehabilitate the Country's Industries

Interviewed by **FRANCIS J. OPPENHEIMER**

"EVERYTHING is relative," replied General Du Pont sitting back in his office chair, a bored professional attitude coming over him, while his stormy blue eyes went through me like X-rays. I had asked about the cause for "the high cost of capital," and was also bored by the question. "While to-day," he illustrated, "money brings 15%, rentals for instance are also correspondingly higher. Get my point? Laborers in Kentucky, when I was a boy, only were paid about $15 a month. To-day they earn $100 a month and more—this means more money lying around, and it has a lower purchasing power.

"In ordinary times, the 7% rate recently established by the Bank of England would be sensational. At present, it is greeted by merely passing comment. Why? Because pretty much the world is on a 7% basis or higher. The Bank of England's new rate must be viewed relatively to other money rates and to price conditions.

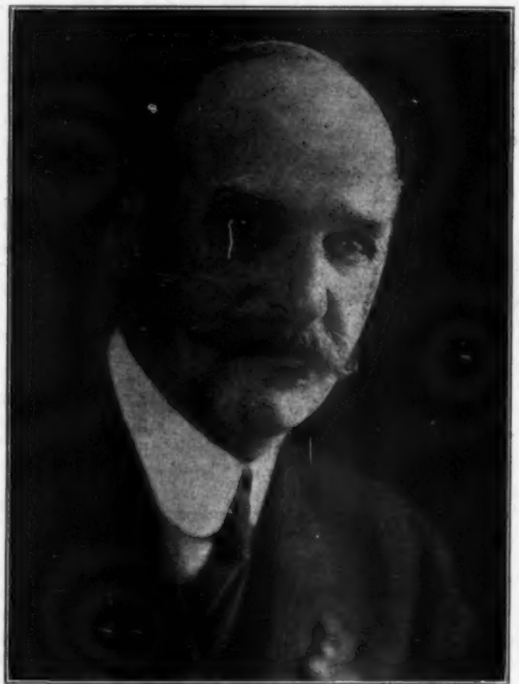
"The same is true of the rates for call any time money at New York. An 8% rate, or even higher, is not surprising when we remember that the banks can easily invest in short term paper to yield about the same.

"I don't think capital is any scarcer than it ever was—in fact, I think there is more capital than there ever was. Rates of interest are higher because more people want capital. On account of labor conditions, manufacturers have much more capital tied up in raw material. Again, things being relative, capital should have a much higher rate of interest because the people who furnish capital and live on the interest have to pay twice as much to live, and the Government takes from these people a good part of their income, so that they must and should have a bigger rate from their income, just as the laborer and tradesmen are earning more money.

"The real trouble is that we are not producing as much in proportion to our population or as much per man as we have in the past. The war has transformed a lot of producers into consumers, and this increases the price of living. The men that are laborers are paid such high rates that they do not have to produce what they did before, and until our production increases, singly or per population, there will be very little done in prices.

"The best thing to do to get the country back to what we used to call normal conditions is to change a lot of our consumers into producers, and to in some way increase the production back per man, which has fallen."

I knew I had to work fast, so I shot back, "Have you any prejudices relative to the League of Nations?" which brought, "I think there should be some sort of a League of Nations. Or, at least, we should ratify the present treaty with modifications, of course."



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GENERAL T. COLEMAN DU PONT

Capitalist, powder-manufacturer, coal, steel and hotel operator, city-planner, owner of the Equitable, the largest sky-scraper in the world; started life driving a mule in Kentucky coal mines. As chairman of the Inter-Racial Council, he is fighting for more liberal immigration laws.

The General pulled the watch on me, which gave me the chance to ask about the railroad situation. "In spite of these local strikes, the railroads are already giving better service under the management of their owners, I find in travelling about the country," came quick as a flash.

"What, in your opinion, is the big problem before us to-day, General?" The sophomoric question brought its own reward. I should have anticipated the reply, being as "T. Coleman" is Chairman of the Board of the Inter-Racial Council.

"Our big national question to-day is the necessity for formulating a selective immigration policy—some comprehensive plan for receiving, distributing and assimilating immigrants," he replied. "The government should make a comprehensive survey of the man-power needs in industry, in agriculture, and in the undeveloped sections of the country where there is plenty of land to be cultivated. This policy, in my opinion, should be based on the production needs, and upon the desirability of this new citizenship which has been our great national asset since the founding of the Republic.

"But the most far-reaching results of the lack of immigration are to be found among the basic industries of the country that employ large numbers of foreign born workmen. Among these industries are the steel and iron mills, the bituminous coal mines, the packing industries, clothing factories, tanneries, woolen and worsted manufactories and the sugar refineries.

"The number of foreign born workmen here range from 25% to 72% of the total working force. Many of these industries have had to go upon a new basis in employing workmen, 110 being required to do what formerly could be accomplished by 90, that is before the war.

"The railroads indicate how acute is the labor shortage. Railway cars, it is reported, are lying on the sidings, for lack of repairs, or rather for lack of men to repair them. During the recent snow storm this shortage proved itself in many disastrous ways.

"We have reached that stage as a nation where we need to give increased attention to this subject. Other countries are actually bidding for man power, but here in the United States we have people who are urging that immigration be shut off as a protection against ultra-radicalism. The fact that there is little ultra-radicalism among the foreign born is ignored, as is likewise the fact that native-born Americans are generally the leaders of these revolutionary activities.

"The percentage of foreign language newspapers with a tendency toward communism has been only 1%—much lower than among English language newspapers. And we are unmindful, also, of the fact that foreign born have contributed not only their brawn but their brains, that the names of foreign born persons are linked with every phase of our national development from the days when our Republic was founded down to the present day."

If you could "conjure with" the name of Caesar in ancient Rome, you can do the same thing to-day in Wall Street with the name *Du Pont.* It hath a ring of victory to it. It makes no difference whether it be powder,—traction,—insurance, or hotels—the fact that General Du Pont is "behind it" seems sufficient to set in motion unseen vibrations of approval that win the hardest half of any battle.

But this doesn't by any means make "T. Coleman" any easier "to do."

There are too many angles—the temperament too complex to sit still a moment for a biographer. What an "embarrassment of riches!" Capitalist, powder manufacturer, coal, steel and hotel operator, city planner, owner of the Equitable, largest sky-scraper in the world, a city police commissioner, oh, where will it end? An engineer by profession, he is suspected of having written a play, the one unoriginal thing I've heard about him. And now to cap the climax, he makes a last bow before a bewildered public as the Premier Chéf in *"The Melting Pot of the Nations."*

His career, too, supplies excellent "copy" for what any newspaperman would call a rattling good "success" story. Starting from the bottom of the ladder, (to be exact from the pit of a coal shaft), he has won fresh honors for an old name. To Delaware he presents a State Highway at a cost of a couple of millions and to his own Alma Mater, the Massachusetts Institute of Technology, another cool million.

As a capitalist, "T. Coleman" is without a peer in the knowledge of the law and the uses of money. He's even had the presidential bee in his bonnet,—confess General is a National Committeeman for the "old guard." Who can foretell into what political destiny his colorful personality will yet trip his soul. The loss of "Teddy" has made a void in the hearts of many who must idolize someone. And worship makes a God!

There are also many perplexing paradoxes that incite interest in *"General"* Du Pont, as he likes to be called. Though his family, an old house, has been in this country considerably over 100 years, he is eminently a "self-made" man. Never could be looked upon by any one, even a Wilmington Du Pont, as a "poor relative." The hardest-worked man in New York, he claims to despise honest toil.

In the popular fancy he's supposed to be a sort of powder genius, when he has stated over and over again that he knows nothing about powder. A slick one, eh? If he paid too much attention to athletics in college, he surely must have gained some first hand knowledge of the subject while in the Kentucky coal mines. The General fancies, too, that if he hadn't played so much foot-ball, he might have attained to a professorship. Strange how we always wish to be somebody, something else. Remember Morgan the elder wanted to teach mathematics? Every vessel but the one we embark on seems to be romantic.

In the street Du Pont often is referred to, goodness knows why, as a "man of mystery." Far from being a Mystic, the General is more what the French might designate a "flaneur," or what we would call, in the nicest sense of the word, a man about town. This by way of saying that he is no social snob, for which he could easily be pardoned considering that he married into the Wilmington Du Ponts, and that he kicks about town with the "Morgan set."

There is, however, one pretty little bit of fiction that I want to nail on the head. I'm not denying that the General is democratic, but I do most emphatically proclaim that he is *not* "easy to see" at his office in 120 Broadway. I should rather say that there is always one sporting event in the Equitable building; that is trying to get by his secretary whose efficiency is the despair of all would-be interviewers. I had to jockey around for a couple of months before I passed her fair head.

When you do get inside, questions are shot at you so fast, (the General bunches 'em), you forget your own list, painfully compiled, and begin making pointless remarks about the market. This Kentucky Colonel—"General," excuse me —is quick on the trigger, and when he gets through with you, you're apt to find yourself out in the corridor dry as a sucked orange.

But then these *Why* men always precede, introduce the Light. Until the inquisitive, wide-awake, Grecians began to knock about their country, ancient Egypt was called "the land of darkness." *Why is this? Why is that?* they asked. This made these stolid priests of mystery sit up and take notice. 'Tis something even to know you're dead.

General Du Pont is not of the type that believes "If it's to be, it's to be." No sah, he's one of the busiest little manufacturers of Fate that ever swung round in a swivel chair. Did I say little? Six foot four, and in college he was captain of the baseball and football teams, and stroke of the crew. To-day at nearly sixty he doesn't carry an ounce of superfluous flesh, is a commanding figure, and stands out head and shoulders wherever you run into him, whether in evening clothes waiting for the jazz band to begin at some society ball, or in sack suit, waiting for that conference to end.

Don't gather from this that the General's the waiting kind. The same morning papers that carried the news of the Equitable fire, also printed the announcement that "Du Pont had purchased the site of the old building." Scarcely was the new building up when he maneuvered the control of the Equitable Life Assurance Society, a coveted prize, away from the Morgan interests. Enough to make even a National Guard General feel cocky.

When, years back, as a young man, he took hold of the coal mines in Kentucky, he found Central City a one-hoss town, which before he departed for Pennsylvania he transformed into a model village. And hush, in those days he did not fly about in a high-powered limousine, but was a pretty regular attendant of the monthly meetings of the miners' locals.

After rehabilitating it, he stepped out of the Du Pont de Nemours Co. This was about five years ago, but during the thirteen years or so he was associated with this concern he made himself worth about a million dollars a year.

A realist, General Du Pont hates visionaries. Yet soon as his own industrial dreams take form, he loses all interest in them.

I hazarded another cub reporter one. "What are your present plans, General?"

"I have none," he snapped back, genially. Sly stuff, this.

Beware of the General when he says he's "out of a job." Something's brewing in his mind, a new office building, or a chain of hotels. Sounds like a "big head," which he hasn't. He put up the Equitable building, so he modestly confesses, because somebody found out that anything constructive appealed to him. Besides, I'm whispering now, he got a long time mortgage at a fair rate. He mutualized the Equitable Life Assurance Company, it, in his opinion, being the only fair thing by the policy-holders.

Like Schwab of Bethlehem Steel and Sabin of the Guaranty Trust Co., Du Pont has developed a brood of able lieutenants, and he's always on the lookout for raw, or rather cooked material, for the General has become an end of the century person. Native ability can't hide long from his appraising eyes, and though a college man, he has freed himself from many of their silly prejudices against those whose misfortune it was to have been defrauded of an academic training. Then, too, he's contributed a million to his engineering Alma Mater, and named his speed boats after it, sentimental enough for anybody below Fulton Street.

Fearlessness, courage, self-reliance, are qualities T. Coleman exacts, and these he likes veneered with brightness, alertness and a genial pleasantry. Not that he cramps the styles of the executives associated with him, believing the highest type of man can produce the best results if given a free hand. But if there's freedom of action, there is none from responsibilities. They say he purchased the Waldorf so Lucius Boomer, a "discovery" of his, would have a proper playground for his cosmopolitan talents.

To General Du Pont's everlasting credit, he never did seek out his rich Delaware "connections." They came to him when things looked dark. As a young man he was not afraid to drive mules or go down in a coal pit. Was still in coal and steel,—that is hadn't gotten into powder, when he married a second cousin, a Wilmington Du Pont. And he had already made his bit in Pennsylvania steel, in fact had "retired" as they used to say, operating a couple of car lines when the call came.

His father and uncle, pioneering sort of men, had gone West in search of a fortune. Eventually they drifted down to Louisville, Ky., where they opened a paper mill, interesting themselves, later, in the coal deposits in the Western part of the State. The General's reason for quitting the "blue grass" State for Pennsylvania is simple enough. He had observed that no coal superintendent could earn more than $4,000 a year in those days. And with his psychic sense he probably knew steel was "coming in." Anyhow he went to the "keystone" State and took up the management of the Johnstown Steel Co.,

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Immigration—Dark Horse or White Elephant?

Shortage of Five Million Workingmen Since the War Causes Formation of an Inter-Racial Council

By **FRANCIS J. OPPENHEIMER**

Author of "The History of Restriction of Immigration," "The Truth About the Black Hand," "Jewish Criminality," Etc.

WHILE the Senate refuses to ratify any kind of a peace treaty, thus preventing the orderly resumption of our international dealings with the other civilized races, and with the two

THE RECEPTION COMMITTEE

While other countries are competing for man-power, Uncle Sam is "not there" to greet the stranger

political parties scratching around on the eve of a presidential campaign for a major issue on which to "swap punches," immigration looms up on the scene like some dark horse, or to be more exact, like some white elephant. Almost one hundred new restrictive measures are before the House, some extremists among our Congressmen demanding that we close the door at Ellis Island for fifty years. And while a few feeble-voiced Representatives have opposed the passage of what they consider to be these un-American bills, the almost fanatical advocacy of them by the framers, fanned by public opinion, fearing Bolshevism, and organized labor, fearing a glut on the market of unskilled European labor, is causing the greatest industrial unrest throughout the Country, crippling, if not paralyzing, normal production.

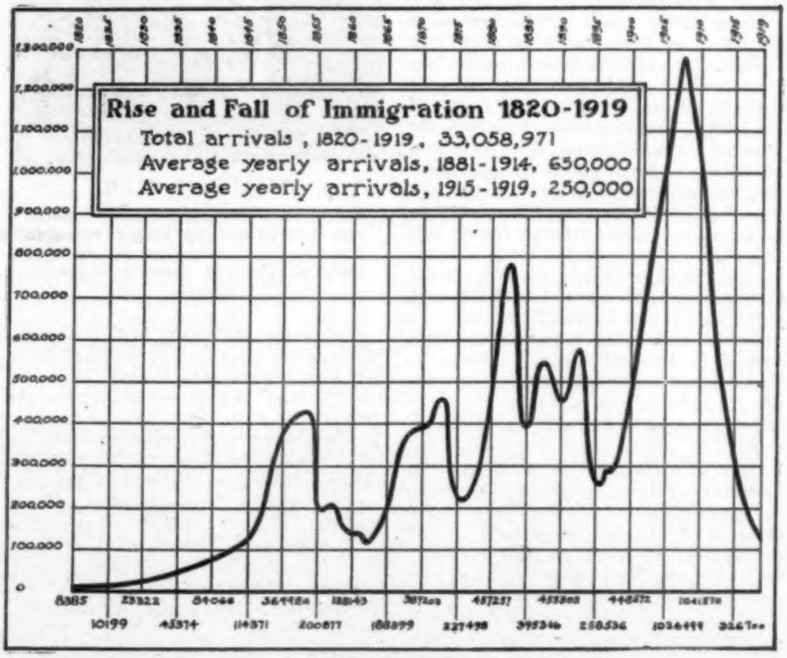
The issue, hotly contested wherever introduced, promises to assume greater importance as the days roll on, reminding us of another such crisis in our internal life, about sixty-five years ago, when Restrictionists under the name of the American Party tried to carry a national election. Between 1845 and 1850 the whole North Atlantic States were scenes of riot and bloodshed. Convents were razed and churches burned to the ground in Boston. Starting as a secret fraternity for the purpose of opposing further immigration, it grew stronger and stronger in numbers until it had broadened into a political party which went down to ignominous defeat before the voters of the land to whom it made a frenzied appeal. When questioned about the purposes of their party, the invariable reply of a member was, "I don't know." Hence the name.

The administration's attitude toward immigration seems to rest entirely on *fear*, organized labor's fear, as stated above, that huge hordes of Continental workingmen might throw the commodity, as *it* seems to consider it, back in the competitive class. After many years of adroit, diplomatic juggling in Washington, Labor, (for the truth must be admitted) at last has secured the whip hand in the matter! And it has been fighting for this for a generation. First, it saw to it that the Departments of Commerce and Labor were separated. Next, that the Bureau of Immigration was made a subordinate wing of the Department of Labor, *not* Commerce, outgeneralling so shrewd a politician as President Wilson himself, by having him appoint a former Vice-President of the A. E. F. as Secretary to the Department of Labor, for nothing gave so much pre-election anxiety to Wilson's campaign managers as his written words on the subject. These men realized that if elected, President Wilson would find that old Burnett-Dillingham bill on his desk awaiting his executive signature the first morning he went to the White House.

The Department of Labor which shut the gate to immigrants, has shut the door on emigrants also, practically rejecting every case recommended for deportation by the Department of Justice, and at this writing a measure calling for the impeachment of Assistant Secretary of Labor Louis F. Post has been introduced in the lower House by Representative Hoch of Kansas. There seems no way of getting the Reds out of the country or for anyone else to get in.

"Anarchy," according to a public statement which the Department of Labor has just relieved itself of, "is simply the extreme of the old American doctrine which is not yet forgotten 'that the best government is the government that governors least.'" *A Defense of Bolshevism* may be issued any day!

To go back. Ex-President Taft's veto had been sustained by an eyelash only, and the sponsors of this bit of legislation containing the "literary test," threatened to rush it through both houses again, which they did. And though Wilson refused to sign it, its authors jammed it into law over his objection! And nothing that ex-President Taft did or left undone, brought so much credit to his administration as the noble stand he took against all opposition, in regard to what he considered was a pernicious attack on our sacred in-



GOING DOWN

The thermometer of immigration has not been so low for the last 65 years—yet farms are unfarmed and building operations practically at a stand-still for lack of unskilled labor

stitutions. Almost without exception the press throughout the land praised his courage in keeping the door open to the oppressed of the world. I can explain the support Taft's veto received neither on political nor geographical grounds, so the Country must have been behind him in the matter, according to the second voting of the Congressmen.

To substitute a more enlightened attitude and to formulate a more abstract, if less heated policy—one consistent with the ideals upon which this Republic was founded an Inter-Racial Council, so-called, met in conference in the City of New York a couple of weeks ago to discuss this vexed topic from every angle, and to reach some conclusions on the merits of the issue as it understood them. Bigotry and prejudice were left in the cloak room along with our hats and coats. The Inter-Racial Council's invitation to this conference stated that "the situation is a grave one, calling for concerted, nation-wide action on the part of business men and racial leaders;" also, that "there was need of a national policy for dealing with this entire subject," viz: —*selective immigration, distribution* and *assimilation*. Among those who attended this heart to heart talk were Paul M. Warburg, former Vice Governor of the Federal Reserve, F. Charles Schwedtman of the City National, Louis Marshall, an authority on the subject, General du Pont, Chairman of the Council, and William H. Barr, its President and his assistants, Miss Frances Kellor. Racial leaders, editors of foreign language newspapers and a representative of practically every large industry in the Country were also present at these proceedings.

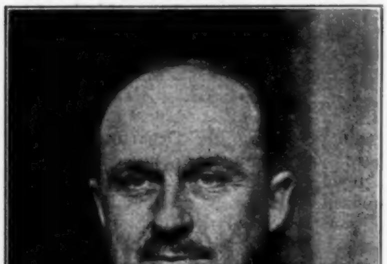
Many interesting facts and figures were developed by the various speakers, but nothing more important perhaps than the announcement that *since the war the United States had lost between four and five million unskilled laborers through the dwindling of immigration*. This statement by the way is borne out by many authorities, notably Senator Smith of So. Carolina and Senator Capper of Kansas, both of whom have just returned from a nation-wide survey. Senator Smith, who addressed the upper House last week, stated that thousands of acres of land formerly under cultivation in the South are unfurrowed in spite of the growing shortage of food. And Louis J. Horowitz, President Thompson-Starrett Construction Co., told me you have to go to vaudeville nowadays to find an Irish hod-carrier!

"One of the most important industrial questions confronting us at this time," President Barr told his confreres, "is the problem of adequate production. There are certain basic truths no man will deny. One of them is that permanent national prosperity depends upon sound production, and one of its essential features is sufficient supply of unskilled workers. We need such labor for the farm, in industry, in the home."

The United States, it appears, makes it "unlawful" to "encourage" immigration while the other nations on this continent are competing for man-power. Also, we do nothing to help a would-be citizen in the process of his naturalization, putting, instead, stumbling blocks in the way of what, as Louis Marshall truly says, should be approached as a sacred rite. And, if an immigrant moves out of a State, he is penalized by the loss of residence and kicked about from pillar to post by petty officials.

Brazil, on the other hand, furnishes free ship passage to immigrants, transporting them without any charge to their various destinations. Chili grants settlers 100 acres and farming implements to cultivate them. Australia advances money for farm improvements and sells land on small half yearly payments, while Canada not only has an annual appropriation in its Budget for encouraging immigration, but maintains as well, elaborate exhibitions throughout Europe which demonstrate the advantages their land holds out to those willing to take a chance and pull up stakes.

And all this is good business; nothing sentimental about it.



WILLIAM H. BARR,

President of the Inter-Racial Council, says immigrants no longer come to America for freedom, or the right to worship, but for "purely economic reasons"

It was the immigrant in this Country who dug our subways and the foundations for our sky-scrapers. They bake the "daily bread" we eat,—manufacture the collars, the cuffs, the shoes and gloves we wear,—pack three-quarters of the meat, weave most of the woolen and cotton,—mine three-quarters of the coal, —mine and manufacture three-quarters of the iron. And "In some sections and in very prosperous sections, too, the farmers of foreign birth or parentage, outnumber the native born farmers," the Secretary of Agriculture informed the Conference.

Resolutions were adopted, reflecting the findings of these deliberations and forwarded to Washington where they are expected to receive earnest consideration by the House and Senate Committees having the matter in hand. Briefly, these recommend, first: the establishment of a Federal Bureau of Assimilation charged with the duty of co-ordinating all existing Governmental activities relating to immigration, of facilitating the distribution of immigrants, of supplying them with information in respect to the securing of employment, of affording them instruction, of protecting them against fraud and exploitation, and of making them feel that they are not strangers in a strange land.

Second, that the present exclusion laws be modified, and the literacy test (which was the joker in the Burnett-Dillingham bill that both Ex-President Taft and President Wilson had seen through) be repealed: that a more extensive use be made of U. S. Consuls in the advice and guidance of immigrants from various countries.

This is a way of checking "foreign criminality" at the right, the other, end. Also that "naturalization be permitted without exacting a compulsory, preliminary declaration of intention—that proceedings for naturalization may be transferred from one State or District to another; that the requirement of one year's continuous residence in the State in which application for citizenship is filed, be repealed."

County Clerk Wm. F. Schneider of New York says at the present rate of progress it will take ten years for his office to catch up with the applications for "first papers" and in despair he has applied to Justice Clarke of the Appellate Division for a judge to give a whole month to pass on these applications exclusively. Since this was written, a Supreme Court Justice, William P. Burr, has been deputized to give this entire month for the especial purpose of naturalizing applicants for "second papers."

All of which, the findings of this Conference, is another way of trying to prevent us as a nation from cutting our industrial nose off to spite our face. Let us face this problem like grown ups. For the first time in history we have become the creditor nation, in fact we are no longer the "new world," but if anything the old country. Out of the tortured, tangled forms of Europe's decaying, if ancient civilizations new, lusty young republics are springing up. As Mr. Barr informed the Conference, immigrants will no longer cross the ocean for freedom of speech and the right to worship in their own way, but for *"economic"* reasons only.

And while we're trying to shut off this stream of man-power, who knows but what Fate may turn it right about, in the other direction. Labor is a fluid thing —regulates itself. In the panic year there was more emigration than immigration. Immigration from East to West is not, as Restrictionists fancy some stable thing like the tides of the ocean. Fifty thousand Greeks have gone back to their homeland since the signing of the armistice. Novel spectacle that it is, swarthy Italians, our subway diggers, are crowding every steamer that goes back to "sunny Italy" as fast as they can get their passports vised. Peep into the Customs House some day if you're looking for surprise.

If Russia ever stabilizes herself, vast hordes not only from this, but other countries will be drawn to her almost virginal soil, unscratched as yet. Gold brought miners to California in forty-nine; Goldfield, Nevada, sprang up over night like a mushroom. It is the same

with oil in the Arctic. If the Standard Oil pioneers who are waiting for the Spring thaw, find it there, Mexico may have a formidable rival, and the development of oil-fields veer North, N. W.

The topic *"Americanization"* naturally enough came up, as a means to kill industrial unrest among "foreigners." A pretty word, considering all of us sprang from "alien" seed one time or another, unless perchance, we are full-blooded Indians. It was urged that the immigrant must be familiarized with our American institutions, standards of living and thought. Especially was he to be made conversant with the English language. To this highly desirable end many committees are operating throughout the United States; Columbia University gives a course to prepare leaders for such work in factories and industries where large numbers of immigrants work. The National Security League with its Catechism on the Constitution and the National Liberal Immigration League's *Guide to Citizenship,* illustrate the useful literature being prepared by the private agencies for the prosecution of this valuable educational propaganda, and the end of this month will see an Americanization Exposition in New York City.

All well and good enough as far as it goes, but why not turn the medal? 'Tis quite as important that both employer and employee widen their own understanding. Why not continue the educational work to include ourselves? None of the foreign professors touched at this conference on the subject—*Cosmopolitanism.* Perhaps they refrained from a false sense of delicacy. There's no virtue in our provincialism though they could scarcely have pointed that out to us and be in good form. But the fact remains that nothing fortifies us, makes us more secure in, and prouder of our own ignorance than an inability to understand what the other fellow is talking about, C'est ne pas vrais?

A good many of us "fellers" think the world is bounded on the North by the Polo Grounds and the South by Coney Island. Europe certainly has a few things we can learn from her. The American lady who, at a legation crush in Washington, remarked to a Japanese woman, "You Japanese all have almond eyes," brought the natural retort, "But you Americans all have such round eyes." And how can a unionist workingman be blamed for wanting to keep out a brother workingman because he cannot understand his dialect, when Plato and Aristotle, the two greatest philosophers of ancient times viewed with suspicion all those whose language they could not understand?

There were no good translations in those so-called classic days, and the subtle literature of Hindoo Mysticism was dismissed by Plato and Aristotle and the other Grecian thinkers, and their authors considered "barbarians." Had there been a Max Muller, or any other philologist, in those classic days the whole complexion of Greek prejudices would have been changed, and these acute thinkers saved from their own stupidity. Plato was even provincial enough to plan an ideal social state, his *Republic,* without ever having heard of what the French call a cosmopolite. He thought an Athenian bookworm was an ideal citizen. How much wiser, more mellow, Oliver Goldsmith, who makes his ideal *Citizen of the World* a Chinese gentleman!

Considerable emphasis was thrown by the Conference on Americanization as a remedy for breaking up social segregation—the great foe of assimilation. It's easy enough to understand the fear that herds immigrants together in a strange land. But social separation always works to the prejudice and injury of those who stand apart from the major mass of "the body politic." It makes no difference whether they be Italians or Armenians, separated by language, Negroes, Chinese, or Hindus separated by color, or Jews by religion. A sensational press, eager to "play up" crime at the expense of more valuable, more educational news, never fails to inform us that the offender is "an Italian," or "a Negro," or "a Jew." John Jones the murderer's nationality or religion is never featured, while Tony with his peanut stand or Jacob with his shoe-laces came into a sudden, but inglorious fame.

Thus the popular mind, fed with this badly gathered news, gets to believe, after a spell, that every "foreigner" is a criminal, and no less a personage than ex-Police Commissioner General A. Bingham of New York, ten years ago was so impressed with the number of long bearded sons of Abraham that were "brought in" to headquarters for breaking petty city ordinances, such as not "moving on" or peddling without a license, that he thought the whole race was degraded and rushed into print (*North American Review*) with the astounding statement that "50% of the criminals in New York were Jews." How ludicrous that allegation was I proved in a return article (*Independent*), entitled *Jewish Criminality,* which brought about the ex-Police Commissioner's immediate retraction, which the conservative *North American Review* carried in the next issue.

Foreign criminality is really more of a popular bugaboo founded on Know-Nothingism than a scientific fact. Nor is *The Black Hand,* as I have already abundantly proved, a criminal organization that is spreading its roots deeper and deeper into our national life, as so many hysterical if well meaning sociologists have declared. Nor is it some deep woven criminal system. In fact it is a myth in so far as it suggests a society of criminal Italian immigrants. The late Police Sergt. Petrosino, in charge of the Black Hand Squad told me, "as far as they can be traced, threatening letters are generally a hoax" and written by inexperienced criminals.

The Black Hand is really only an attractive symbol or trade-mark or *nom de plume,* appropriated by individual Italian criminals under which to hide their individual crimes.

The one criminal society in Italy is the *Camorra,* and it confines its mis-doings, that of a sort of blackmailing collection agency, to the City of Naples, scarcely operating in the Neapolitan suburbs.

According to U. S. Government statistics 1904-7, *when immigration was heavy,* but 17,000 of the 2,650,174 Italians who left Italy entered into the United States! Neither is the *Mafia* a Sicilian criminal order, but a sort of primitive seeking justice. These people, under foreign domination and rulers, at different periods of history, got into the habit of meting out home-made justice, something more to their own understanding and liking. The Mafia is more like our own Kentucky feuds, but less cruel, perhaps, for it at least stops at the grave.

However, Restrictionists never sleep, and often offer an excuse as a reason to close Ellis Island. For instance, in the last session a great hue and cry was raised against "the scum of South-eastern Europe," this includes Greece that gave us our deepest thinkers and the Holy Land which gave us the prophets and Jesus. Sixty or seventy years ago the objection was against receiving "the poverty stricken of

(*Continued on page* 1000)

EMIGRANTS, NOT IMMIGRANTS

The tide is fast changing the other way round. 50,000 Greeks have left since the armistice and the steerage of every vessel sailing for Italy is crowded

The Sensational Shortage in Live Stock

Bankers and Investors Now Have An Opportunity to Promote Meat Production and at the Same Time Obtain Exceptional Security

By **HENRY A. MOEHLENPAH, Member of Federal Reserve Board**

THE great shortage in live stock, to continue for some time to come, opens up a splendid opportunity for the banking world and investors to benefit their financial resources while helping the world in a great emergency.

The needs are imperative. They especially center in Europe, where we have been told conditions are calamitous and require instant and generous attention. The conditions stun the imagination.

Let us scan our own side of the ledger. In the matter of beef supply, the total U. S. exports for the year 1914 were 33,000,000 pounds. Four years later, in 1918, during the war, they increased to 700,000,000 pounds, and in 1919 they approximated 280,000,000 pounds, or nearly nine times that of the last normal pre-war year.

This increase in five years means that the beef supplies have been cut to the bone. Information from the dairy districts indicate marked encroachment upon the dairy herds for beef slaughter. At the close of 1919 most large livestock communities, such as Texas, Montana, Colorado, Wyoming and Idaho, showed that the breeding stock had been reduced to less than 50 per cent. of normal. Herds were reduced and thin cows, heifers and unfinished beef came to the markets in unusual volume.

During the first eleven months of 1919, the total receipts of cattle at the six principal markets in the United States were 9,962,000 head against 10,751,000 in the corresponding period in 1918, a decrease of 789,000 cattle.

When a country is short of female breeding cattle as the United States is today, the total necessities of growth require at least seven years to replenish the ranks of breeding females and produce a normal crop of beef steers ready for slaughter.

For the first time in the history of this country a good milch cow is worth more than a horse. In 1890 we had 26 cows per hundred of population, and in 1919 only 22. One must bear in mind the great increase in population of the land in this thirty-year period and that the population has been centered in the cities, and one will grasp the importance of an enlarged producing program if we are to do our part as producers of milk products as well as meat in this hour of the world's need.

When the league of nations or the treaty has been completed and the credit program has been reconstructed, and when the nations of Europe come to buy in this country to replenish their herds, for this is the only country they can come to, the banking world will understand what all this means. Our exports constantly increasing will make a heavy draft upon the production, with consequences related directly to the home supply and price levels.

One indeed cannot emphasize too much that the ratio of slaughter of herds has exceeded that of production during the last five years. The excessive marketing during that period is no indication of over production but rather of depletion. The cattle increase in the last four years at the seven principal markets of 6,000,000 head, or more than 83 per cent., means rapid destruction.

It is predicted that the coming census will demonstrate that the annual cattle

Little or no publicity has been given to the surprising facts emphasized here by Mr. Moehlenpah recently appointed a member of the Federal Reserve Board. It takes seven years to replenish breeding female cattle and produce a normal crop of beef steers for market. In some of the large live stock sections breeding stock is now only about half normal. Where is our beef coming from? That is only one reason for buying cattle paper and thus assisting the farmer to raise more beef. The other reason lies in the high character of the security itself.

estimates will show a grossly exaggerated condition in the number of cattle in this country, and especially the breeding stock.

It will take two whole generations of live stock before it will be possible to supply the country with a normal quantity of beef for the block.

Here is where one is confronted by the outstanding need of the farmers, a need bankers must meet in the next few years. It will have to be done if the world is to continue living; it cannot live on without food, its wheats and its meats.

In a general sense the farmer will need machinery, tractors, seeds and labor-saving devices, which must be provided through financing by the banks, but the farmer will need funds still more to carry over for the necessary period all female stock for breeding purposes.

It is unthinkable of course that the banks will not respond. The investment world will see its opportunity. A great means at the service of the banks in this instance will be the Federal Reserve System which they have at their command and which was established for the purpose of stabilizing the agricultural as well as the industrial and commercial activities of the country. No paper will come to the Federal Reserve system more acceptable and more eligible for rediscount than that of the farmers and livestock producers.

The need of the hour is for greater production. The war financially has just begun. Every dollar should count for production.

These are the fundamental stones in these days of reconstruction. The fundamentals must be especially studied and there is nothing more fundamental than the food supply—the wheat, the cattle, the dairy products. They should be the banks' first concern and that of the investor, who will be able to kill two birds with one stone, helping himself by helping others.

There is a great shortage of most things, and the needs will have to be supplied by an extension of credit, discriminately effected, the most pressing needs being served first. In connection with farm products there is no reason why this should not be most readily extended.

Furthermore, in the export situation and much in the way of live stock products will be exported, thus eliminating any surplus, if a surplus can be conceived of as existing in the next few years. A great instrumentality of good has been devised in the Edge Act, which furnishes the machinery with private capital and control but with government supervision and which will provide in a large measure means for financing the exports of our country so that credit may be extended and rationed in an orderly fashion.

AMERICA'S FOREIGN TRADE DEPENDS UPON CO-OPERATION

Dr. Romulo S. Naon, Chairman of the Board of Directors of the Financial Corporation of Argentina and the United States, said recently:

"It would not be surprising if after the reorganization of European industry and the reestablishment of communication with the countries of the southern continent the United States should find it difficult to compete advantageously with that industry, for although the cost of production has greatly increased in Europe it cannot be compared to the increase that has taken place in this country.

"The American exporter usually takes the position that his products must be accepted abroad under the same conditions that prevail in the domestic market. He wishes to dictate styles, quality and conditions of payment. There is not the least trace of cooperation between buyer and seller in such a procedure. Selling offices are opened in Argentina, for example, with an organization that is entirely American, with officials who are often unfamiliar with our language and ignorant always of the psychology and business customs of our people.

"The continuation of this system, especially in Argentina, will eventually prove fatal to the development of American trade."

Financing for Stability

World Business Needs Replenished and Augmented Capital—Co-operation the Solution of America's Financial Problems

By F. C. SCHWEDTMAN
Vice President, National City Bank

THE business genius of America has shown itself chiefly along the lines of large-scale, standardized production. Automobiles, agricultural implements, typewriters, sewing machines, etc., come to mind as some of the typical American manufacturers contributed to world trade. The success of large-scale production depends, however, upon steady absorption of output. This in turn rests upon the existence of secure and certain markets. The home market alone will not suffice for this purpose. Its powers of absorption are not sufficiently extensive. Despite our huge agricultural domain it is stated that 40 per cent of the output of the International Harvester Company must be disposed of abroad. Any great expansion of American industry in the future, therefore, would seem to be predicated upon a corresponding development of our foreign trade. This implies the existence of a heavy buying power in foreign markets. Bearing these considerations in mind, who would say that economic stability in Europe is not of great material consequence to us in America?

What, however, does this situation demand of us? The answer to this question requires a certain amount of analysis. The outstanding characteristic of the world's economic life at the present time is its relative exhaustion. Modern warfare is terribly destructive of wealth as well as of life. So great are its demands that practically all the activities of a nation waging war must be directed into that channel. The recent war thus made ravenous inroads into the economic life of the belligerents, especially those of Europe. Not only was there direct destruction of wealth incidental to hostilities but, owing to the necessity of concentrating all efforts on supplying the forces in the field, machinery, buildings and equipment could not be adequately replaced, and stocks of finished goods were used up without possibility of the usual replenishment. As buildings, machinery, equipment and the great stocks of material of all kinds make up what we know as the world's supply of capital, the economic exhaustion caused by the war has been an exhaustion of the capital fund.

Capital Fund Must Be Replenished

It is of first importance that this capital fund be now speedily replenished and augmented. Our economic system is one based upon specialization or division of labor in which natural forces like steam and electricity are extensively relied upon as aids to wealth production. But there is one fact in connection with such a system which is too often overlooked by those who are concerned with the reformation of the evils of inequitable distribution of wealth, and that is the circumstance that division of labor and machine industry require as a *sinè qua non* an adequate supply of capital. The stream of wealth production from the logger to the purchaser of furniture can maintain its flow only with adequate capital investment all along the line. The logs must be sold to the saw mill, the lumber to the lumber merchant, and then to the furniture manufacturer, the furniture to the wholesaler and so to the final consumer. The finished product of one industry is the raw material of the next, but every purchase of such raw material represents somebody's investment of capital, and the whole scheme would break down if at each stage adequate supplies of such capital funds were not forthcoming. In like manner the factories, machinery and other equipment needed in each branch of industry also represent somebody's capital invested, and the replacement of all such equipment, as well as its enlargement, depends vitally upon somebody's willingness to tie up investment funds for these specific purposes. It is this physical dependence of modern productive methods upon capital, apart from any question of the ownership of the capital, that justifies the designation of our present system as a "capitalistic" system.

It is generally agreed that it is only through saving that the capital for production can be made available. Fundamentally this is merely a question of directing the forces of production. If I spend $2,500 for a sedan automobile, I have "spent" the money in the ordinary sense. But if the $2,500 are put in a truck for my business, we think of the money as being saved and invested. The difference between the two is thus simply one of directing productive effort. In the one case effort is directed toward the production of wealth for consumption; in the other case it goes toward wealth to be used in further production of wealth.

New capital is Europe's great need. War for the nation is like riotous living for the individual. Useful resources are diverted from productive to destructive ends. It is to get its system started again that Europe needs capital; to stock up food, to supply raw material and to restore its worn out equipment. Some of its war equipment may be available for peace, but most of it will have to be scrapped. When production has once gotten under way Europe will be in a position to direct a part of its effort toward capital maintenance but much of the new capital necessary to start the process must be looked for elsewhere.

Problem of Efficient Production

Underlying the superficial financial aspects of our problem of stability is therefore the broader problem of efficient production and economical consumption. "More production and less consumption" means turning our thoughts to the future and directing our productive forces toward the upbuilding of our capital equipment rather than toward the multiplication of goods for immediate consumption. But efficient production itself is now a world problem, rather than an individual, a shop or even a national, problem. Our tariff policy, our immigration laws, our enactments and practices in banking and other departments of our business life must now be re-formulated on a basis as broad as the world itself. Exclusive and narrow protectionism is today an anachronism.

If only to let Europe pay us what she owes us we shall have to make it possible for her to send us more goods. Debts are ultimately paid, as exchanges are made, in *goods*. We use money only as the counter in the process. Protection must hereafter be approached on the basis of actual needs in particular industries and not on the basis of a sweeping policy applying to industry as a whole. Exclusive banking and excessive restriction of immigration may become too costly to command continued support. While within our own borders banking is highly competitive, from an international point of view we have the highest possible kind of protection, namely, positive exclusion. This may be wise, but we cannot simply assume that it is. But without dwelling further on individual aspects enough has been said to indicate the necessity of envisaging the economic situation of the world as a whole if we are to rear our own economic structure in the future on a stable and well-integrated foundation.

A further word must be said about our basic financial standard. The importance of maintaining the gold standard at home and abroad surely needs little emphasis to industrial engineers. Their creed is one which demands adaptation of practice to sound standards of procedure. The gold standard has been evolved after centuries of trying experience. The judgment of the world supported it. Now, as a result of immediate pressure, we hear talk of debasement and repudiation. No good can come from debasement or repudiation. The more quickly the world can reestablish its finances on a solid gold basis the more stable and secure will its economic life be.

So much of the general discussion. What now are the specific suggestions that can be formulated as a result.

1. Co-operation with all forces working toward efficient production.
2. Co-operation with all forces working for a better understanding of the advantages and disadvantages of foreign investments.
3. Co-operation in analyzing the needs and possibilities of our foreign trade with a view to establishing in what directions we can hope to sell.
4. Co-operation with all forces striving to maintain the soundness of the world's credit structure through restoration and preservation of the basic gold standard.

Many Foreign Bonds at Bargain Prices

Exceptional Investment Opportunities Open to American Capital — Analysis Reveals Steady Improvement in Security Behind Various Issues

By **MAX WINKLER, Ph.D.**

WITH the enormous increase in the indebtedness of foreign nations, amounting at present to more than 476% over that of six years ago, the field of investment in foreign securities has widened substantially. The primary cause of the steadily growing demand for

TABLE I.—VARIATIONS IN FOREIGN EXCHANGE.

	Normal rate (in dollars)	Present rate (in dollars)	Depreciation (in %)
England (Sterling) ...	4.8665	3.925	19.3
France (Franc)	.1930	.059	70.5
Italy (Lire)	.1930	.038	81.6
Germany (Mark)	.2382	.020	90.9
Japan (Yen)	.4985	.470	5.7
Denmark (Kroner) ..	.2680	.187	30.0
Argentine (Peso)	1.037	.997	3.8
China (Tael)	1.3876	1.430	3.0*
Russia (Rouble)	.5146	.023	95.4
Belgium (Franc)	.1930	.064	67.9
Sweden (Kroner)	.2680	.221	17.4
Norway (Kroner)	.2680	.201	24.8
Switzerland (Franc) ..	.1930	.062	68.9
Brazil (Milreis)	.5462	.368	32.4
Chile (Peso)	.3650	.238	34.3
Peru (Libra)	4.8667	4.850	3.8

*Denotes appreciation in value of tael.

foreign bonds is of course the serious demoralization of the exchanges. The prevailing low rates of exchange (see accompanying table) as well as the anticipation of a gradual recovery to normal, make it possible for the American investor to secure foreign bonds at a comparatively low figure. The risk involved is comparatively small since most of the issues are direct obligations of the respective governments and are exceptionally well secured as to principal and interest. The main attraction lies in the possibility of substantial profits through an advance in the foreign exchange rate. Coupled with the material advantage that may be derived from the purchase of foreign securities there is the ethical side, which consists in the opportunity offered the American investor to come to the aid of the war-torn countries in their struggle toward reconstruction. In so doing, he will also render incalculable aid to his own country; for a marked improvement in the exchange situation will no doubt result in an increase of our export trade.

The table presented herewith gives a list of the more prominent foreign securities which are listed on the New York Stock Exchange. Since the majority of those bonds have already been discussed in previous issues of THE MAGAZINE OF WALL STREET, I shall discuss briefly the remaining issues chiefly from the standpoint of their attractiveness to investors.

Republic of Argentina

The bonds of the leading South American Republic are well secured. With the exception of a very brief period during the Great War, the country has made remarkable progress and experienced a tremendous increase in its agricultural area under cultivation, the mileage of its railroads, its production, and its exports and imports. The country is enormously rich but has a large floating debt which was contracted primarily for the purposes of building drainage works, government elevators, extension of port works, and further railroad developments. On March 1, 1909, the government issued £10,000,000 5% gold bonds redeemable at the option of the government at par and accrued interest on any interest date upon one month's notice. Beginning March 1, 1910, a 1% cumulative sinking fund is applied semi-annually to the purchase or redemption of the issue at amounts not to exceed par and interest. This fund is expected to retire the issue on or before September 1, 1945. The bonds are dealt in on the stock exchanges of New York at $.973, of London at 4s., of Paris at 5.04 francs and of Berlin at 4.09 marks per peso.

Republic of Cuba

The bonds of this country, whose national wealth per capita is three times larger than that of any other country, are also to be regarded as a safe and attractive investment. The constant increase in the crops of Cuba's main products, sugar and tobacco, bids fair to continue for years to come, as well as improvement in the internal political situation.

Dominican Republic

The bonds of the country are secured by the entire amount of taxes and customs of the republic, which, together with the political affairs, have been placed under U. S. Government control. The country has made considerable progress of late, especially along industrial lines and is steadily increasing the annual output of its main products, such as cotton and other staples.

City of Copenhagen

The bonds issued by this city which is the capital of the Kingdom of Denmark are secured by the entire present and future property of the city and its full tax-levying power. Copenhagen is one of the leading industrial and commercial centers of continental Europe and has a population of over 850,000. Based on the standard of credit and the constantly growing trade of the kingdom, the secur-

TABLE II.—FOREIGN BONDS LISTED IN NEW YORK.

	Maturity	Smallest Denomination	Price about	Approx. yield
United Kingdom of Great Britain & Ireland 5½s†..	1921	$100	94.75	11.70
United Kingdom of Great Britain & Ireland 5½s†..	1922	$100	98.25	9.80
United Kingdom of Great Britain & Ireland 5½s†..	1929	$100	91.13	6.88
United Kingdom of Great Britain & Ireland 5½s†..	1937	$100	87.75	7.28
Dominion of Canada Notes 5½s§	1921	$1000	97.13	8.55
Imperial Japanese Sterling 2nd series 4½s†*	1925	£20	78	10.21
Imperial Japanese Sterling 4s*	1931	£20	64	9.27
City of Tokio Sterling 5s*	1952	£20	58	8.88
Republic of Cuba 4½s	1949	$1000	73	6.60
Republic of Cuba 5s	1944	$100	83	6.39
Dominican Republic 5s	1958	$50	81	6.30
City of Paris 6s†	1921	$100	88.50	10.17
City of Bordeaux 6s†	1934	$100	89	7.26
City of Lyons 6s†	1934	$100	89	7.26
City of Marseilles 6s†	1934	$100	89	7.26
City of Copenhagen 5½s	1944	$500	78	7.45
Republic of Argentine 5s	1945	£20	71	7.60
Republic of China, Hukuang Ry 5s*	1951	£20	46.13	11.19

†See Magazine of Wall Street, Vol. 25, No. 7, P. 448. *See Magazine of Wall Street, Vol. 25, No. 7, P. 432; No. 9, P. 613. §See Magazine of Wall Street, Vol. 25, No. 9; a detailed account of the more attractive Canadian bonds will be found in the current issue of the Magazine.

TABLE III.—UNLISTED FOREIGN BONDS.

	Maturity	Smallest Denomination	Price about	Approx. yield
Imperial Russian Government External 5½s*	1921	$1000	38	...
Kingdom of Belgium Internal 5s†	1995	F500	‡	...
Kingdom of Belgium 6s†	1921	$1000	93	...
Republic of France Internal 5s†	1980	F1000	‡	...
Kingdom of Italy Treasury Notes 5s**	1922	L100	‡	...
Kingdom of Italy Treasury Notes 5s**	1924	L100	‡	...
Kingdom of Italy Treasury Notes 6½s**	1925	$50	‡	...
Kingdom of Sweden 6s	1939	$1000	91.50	6.7
Kingdom of Norway 6s	1923	$1000	....	...
Republic of Switzerland 5½s	1929	$500	87.50	7.2
Imperial German Government 5s§	Various years	M100	‡	...
Republic of Brazil 5s	1940	....	....	...
Republic of Chile 5s	1960	....	....	...
Republic of Peru 5½s Salt Loan	1938	....	....	...

*Interest on this issue defaulted December 1, 1919; the bonds are a direct obligation of the defunct Russian Government and are not secured by a mortgage. Prior to default on this loan the Russian 6½s bonds of $50,000,000 defaulted payment of principal, due Jan. 18, 1919. A protective has been organized to look after the interests of the bondholders. With Russia's intention not to repudiate foreign loans contracted by the Imperial government, and the probability of re-establishing commercial relations between Russia and the United States, a substantial rise in these bonds from their present low level lies within the realms of possibility.

†See Magazine of Wall Street, Vol. 25, No. 10, P. 614.

§See Magazine of Wall Street, Vol. 25, No. 11, P. 784.

**Concerning Italy's financial and economic position, see Magazine of Wall Street, Vol. 25, No. 10, P. 712; No. 11, P. 781.

‡Offered at current rate of exchange.

ity should experience a substantial advance in price.

Table II gives a list of the more prominent foreign bonds offered for sale in this country. A brief discussion of those issuing countries which have not been treated before in the MAGAZINE, is in order.

Brazil

With the material increase of the country's national wealth during the war, the basis of its securities has risen in value. Brazil's trade, which consists mainly in the production and exportation of coffee, cocoa, rice, mandioca, raw cotton, manufactured cotton, hides, dressed cattle and manganese, has increased from $10,000,000 in 1913 to more than $40,000,000 in 1918. The outlook for the country's securities, from the standpoint of market appreciation is very bright.

At present there is an unusual demand for railway equipment, water supply and telegraph lines, in connection with the planned improvement on the Arica-La Paz Railway and the electrification of the Valparaiso-Santiago lines; the latter may be followed by the electrification of the entire system of State Railways. The market development of the country's resources will no doubt substantially increase its productive capacity and the outlook for investment in Chilean securities is therefore very bright.

Chile

Owing to the almost unlimited demand for its nitrates, Chile has enjoyed enormous prosperity during the war. Its trade balance in 1917 was $130,000,000 compared with $25,000,000 in 1913. The country has vast mineral resources, most of which are American developments. In view of the country's wealth and its bright outlook for the future, I believe Chilean securities offer a real opportunity for American investors.

Peru

The Peru bonds have been issued mainly for the purpose of providing water works and sewers in the large cities, and for the construction of roads and railroads. Owing to the marked addition to the country's wealth as evidenced by its exports which increased to $91,000,000 in 1917 from $44,000,000 in 1913, to reduction of the national debt, and the great possibilities for future development, there is no doubt whatever as to the soundness of the country's securities.

The attractiveness of the bonds is considerably enhanced by the country's very marked progress in the development of its invaluable mineral deposits, and by the recent discovery of new oil resources in the Province of Junin, which produces also copper, gold, silver, vanadium and oil in large quantities. The opportunity of American capital in the Peruvian Republic is almost unlimited, and it is surprising why we do not take advantage at this time when England has inaugurated a most intensive commercial campaign in this Latin-American Republic as is evidenced by the ten weeks' exposition of English products to be held in Lima during April, May and June.

Sweden and Norway

The bonds are direct obligations of the Kingdoms of Sweden and Norway, secured by their property and tax levying power. The countries are in a very favorable financial position and there is every reason to expect a marked advance in the price of the securities.

Switzerland

The decline in the Swiss exchange to its present low is mainly the result of the refinancing of advances made by the Confederation during the period of the war. With the revival of pre-war conditions, and the constant growth tof the country's commerce and industry, issues of the Swiss Confederation ought to rank with the highest foreign securities

Canadian Banks Reaching Out

Branches of Dominion's Financial Institutions Springing Up All Over the World—Purpose Is to Take Advantage of Increased International Trade Opportunities and to Maintain New Economic Status Achieved by Canada During War

CANADIAN banks made notable progress internationally during the year 1919, and anticipating foreign trade in hitherto unpastured fields, banking connections were established which will have great future importance. It is vital to the development of Canadian trade in foreign fields that it have the active co-operation of Canadian banks and this has been admirably given in the past year. Canada's banks and their branches are now to be found in the Far East, in South America, in Spain and France, whereas previous to the war, they were represented outside of the Dominion only in England, the United States, Newfoundland, Central America, Cuba and in the West Indies.

Prior to the war, it was not the policy of Canadian banking institutions to extend their enterprises to points far afield as it was felt that in making foreign extensions the tendency would be to take abroad Canadian capital actually required for home use. It was thought preferable to strengthen and extend relations with foreign banking houses and retain their good will, thereby conserving our resources for the assistance and encouragement of domestic development.

With the new era of reconstruction, however, Canadian bankers have been confronted with the problem of international development for Canadian industries, and for Canadian producers in general. Canada attained during the war, a position of international importance undreamed of previous to the outbreak of hostilities, and in her new status, the vital duty of the Dominion bankers is to aid in the maintaining of this elevated prominence.

Branches in the Far East, Spain, South America

In the past year, the Union Bank as part of the organization known as the Park-Union Foreign Banking Corporation has opened branches for business in Yokohama and Tokio, Japan; Shanghai, China; San Francisco, Seattle, U. S. A., and Paris, France. The formation of this subsidiary corporation, designed primarily to develop trade with the Far East is actually the first working alliance consummated between an American and a Canadian bank and cannot fail to bring about satisfactory results in the stimulation of Canadian commerce with Oriental countries.

In the development of Franco-Canadian relations significant banking moves were made in 1919. The Park-Union's branch in Paris was opened November 10th and gave the Union Bank a direct banking connection with that country. The Bank of Montreal and the Royal Bank of Canada each opened branches in Paris. The Royal Bank, like the Bank of Nova Scotia, was represented in the West Indies and in Central America prior to the war but since has continued its penetration into the Latin-American states.

During 1917, four branches of the Royal Bank were opened in Venezuela, five in the Dominican Republic, and seven in the British West Indies, including Haiti, Martinique and Guadeloupe. Further branching out in 1918, branches of the Royal Bank began operations in Rio de Janeiro, Buenos Aires, and Montevideo. In the early part of 1918, a branch was opened at Barcelona, marking the first entrance of a Canadian banking institution into Spain. A branch established late in 1918 at Vladivostok, was for the accommodation of Canadian troops in Siberia, because in the disrupted state of Russian trade, business had been practically impossible.

The Canadian Bank of Commerce established interesting Italian connections early in the war, and acquired a substantial interest in the British-Italian Corporation, the function of the Canadian institution being to represent it in the Dominion. The president of the Bank of Commerce went to Japan in the summer, not to open branches, but to get a clearer insight into trans-Pacific business. The Bank of Montreal and the Canadian Bank of Commerce some years ago, entered Mexico and established branches there, and expect yet to carry on business there profitably. The Canadian Bank of Commerce also has a branch at St. Pierre, Miquelon.

West and South Africa

By purchasing a substantial interest in the Colonial Bank, the Bank of Montreal has established a unique banking association, owing to the fact that Barclay's Bank and the National Colonial Bank of South Africa have already a substantial interest in the Colonial Bank. Canada is thus connected through this acquisition with the West Indies, West Africa, and South Africa, through the wide ramifications of the powerful group of which Barclay's Bank, London, is the head.

The Colonial Bank was founded in 1863, with an English charter having wide powers. Not long ago, control of the Colonial Bank was purchased by Barclay's Bank, London, in pursuance of an active expansion policy. The Bank of Montreal has five branches in the United States, two in the United Kingdom, one in Continental Europe, and one in Mexico City.

Investing in Our Northern Neighbor

Inter-Relation of Investment Between United States and Canada — Dominion's Growing National Wealth Places Securities in Favorable Position

THERE is no doubt whatever that our own financial structure would become a good deal sounder if we were to diversify our investments and not confine ourselves to purely domestic securities. An examination of the period preceding the world war shows that our country was classed among the debtor nations. Bonds and stocks of our railroads, steel and equipment, metal and mining corporations, were very actively traded in on the leading European exchanges, including those of London and Paris, Berlin and Vienna, Hamburg and Amsterdam.

TABLE I—INVENTORY OF CANADA'S NATIONAL WEALTH,
(Per Capita, in Dollars.)

Agriculture*	$578.89
Fishing†	5.24
Mines**	15.56
Manufactures§	222.22
Railways	222.22
Street Railways	17.78
Canals	13.33
Shipping	3.89
Telegraphs and Telephones	11.11
Real Estate	388.89
Clothing	88.89
Coin and Bullion	12.06
Imported Merchandise in store	27.78
Current Production¶	491.67
Total	$2,099.53

*Includes improved lands, buildings, implements and live stock.
†Represents total capital invested.
**Represents value of buildings and plants.
§Represents plants and working capital.
¶Includes Agriculture, Fishing, Forestry, Mining and Manufacturing.

With the declaration of war a marked change set in. Immense purchases of food stuffs and munitions were made by the allied countries during and after the war, and large advances aggregating approximately $10,000,000,000, have been made by the United States to her allies. These factors brought about an enormous increase in our foreign trade. In the past year our exports were by more than $4,000,000,000 in excess of our imports, and are largely responsible for the serious depreciation in the rate of foreign exchange which in itself is sufficient attraction to purchase securities of foreign governments and corporations. One of the main advantages to be considered lies in the nature of an insurance for our country. Conditions may arise in the future which might compel us to seek financial aid elsewhere. A sufficient amount of securities of other countries, available in this country, will no doubt enable us to turn at least a portion of our investments into cash. This was one of the reasons for England's speedy recovery after the first onslaughts of the war; owing to her diversified investments, she was able to mobilize them and resell them, obtaining funds and credit which would not have been available through any other means. It is obvious, therefore, that the opportunity is ripe for the introduction in this country of foreign bonds at the present time, and there is no reason why they should not appeal to the American investor, provided, of course, that he is thoroughly informed of the nature of the security and the possibility of such investments.

Among the numerous foreign obligations dealt in in this country are those of the Dominion of Canada, which has floated government, municipal and corporation loans for the purpose of readjusting economic and financial conditions disturbed by the war. The substantial additions to Canada's national wealth in recent years, and the excellent possibilities in the Dominion for future development, put these loan issues on a basis which, prior to the war, would have made them very attractive to European bankers. I am inclined to believe that the American investor will, if he has not already done so, take a similar view.

It is interesting to note the large number of Canadians who hold U. S. securities. A survey made in a number of Canadian cities revealed the most astounding fact that of every 100 inhabitants, 60 were found to be holding such securities as U. S. Steel, Pennsylvania R. R., Erie, N. Y. Central, Northern Pacific, and many others. On the other hand, the number of Americans holding Canadian securities is by no means negligible.

TABLE II.—PROMINENT CANADIAN BONDS.

	Maturity	Price about	Approx. Yield (in %)
Dominion of Canada Public Service Loan 5s*	1921	97½@97⅝	7.00
Dominion of Canada Public Service Loan 5s*	1926	91⅞	6.70
Dominion of Canada Public Service Loan 5s*	1931	91¼	6.65
Dominion of Canada External 5½s†	1921	97½	8.12
Dominion of Canada External 5½s†	1929	94⅞	6.25
Dominion of Canada 5s	1937	89	5.10
City of Montreal 6s	1923	100	6.00
Province of Alberta 5s	1922	95.48	7.00
Province of Alberta 6s	1928	95.21	6.75
Province of British Columbia 5s	1925	92.73	6.75
Province of Manitoba 5s	1922	96.78	6.75
Province of Manitoba 6s	1925	95.84	7.00
Province of New Brunswick 5½s	1922	97.25	7.00
Province of New Brunswick 6s	1929	94.48	6.25
Province of Ontario 6s	1928	96.77	6.60
Province of Quebec 5s	1926	90.79	6.10
Canadian Pacific 6s	1924	97.	6.86

*Free from all present and future taxes imposed by the Canadian Government, including income tax.
†Subject to taxation in case beneficiary does not reside and is ordinarily not a resident of Canada.

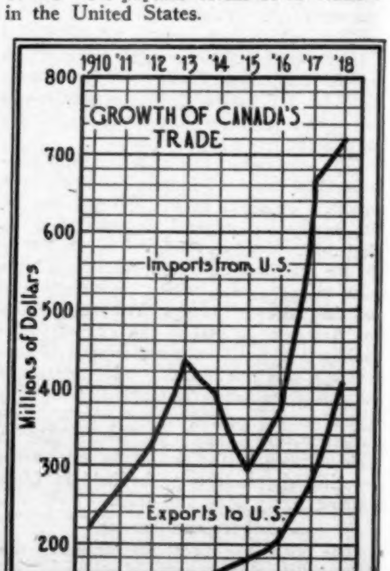
Values Behind Securities

The reason for this inter-relation is not one of pure sentiment alone. A careful analysis of the majority of Canadian securities offered for sale in this country reveals the extraordinary economic strength of our neighbor and consequently the satisfactory values behind her securities.

The accompanying table presents a list of the best known and most actively traded in Canadian securities. An idea as to their safety can be gotten from an inventory of the country's national wealth, which amounts to $19,002,788,125, or $2,099.53 per capita. It must be borne in mind that this figure is based upon values existing four years ago, and does not account for the abnormal increase in values since that time. Against this the total debt of the Dominion amounted to about $2,500,000,000, or $27.78 per capita—a very favorable situation indeed.

The securities presented in the accompanying table seem likely to experience a substantial advance. They offer sufficient inducement to tempt American capital and are attractive particularly since relations between Canada and the United States are rapidly approaching normal. These issues are all well secured and have excellent prospects, since the Dominion's revenues and assets are sufficient to take care of the public debt without difficulty.

In view of the above we are not surprised to see the number of Canadian issues regularly traded in, and the number of branches of Canadian bond houses established in the United States grow steadily from year to year. Thus we have every reason to expect that within a few years, Canadian securities will become one of the most popular forms of investment in the United States.



Precautions to Be Taken in Buying Municipals

By **EDWIN EVANS MENTZER**

MUNICIPAL bonds are promises of municipal corporations to pay certain sums of money at certain times, usually to order or bearer. In other words, they are contracts for the present use of funds in consideration of future payments of interest and principal.

These obligations are vehicles whereby money is borrowed for supposedly necessary public improvement, and as they are liquidated by taxation, they are of great concern to all the people.

The annual output of municipal bonds has increased tremendously since the beginning of the century. In 1901 there were issued the modest sum of $140,185,499, but it is estimated that in 1919 over $600,000,000 of these securities were issued, and yet Mr. Baker of the National City Company asserts that "Municipal financing unquestionably will remain great."

Validity and Solvency

The valid bonds of solvent municipalities may possess exceptional investment worth, but validity and solvency are the unknown quantities of most intricate problems, formidable to the expert, incomprehensible to the layman.

In the first place, municipal corporations are creatures of the legislature, and have no inherent powers whatever. They cannot create indebtedness, nor levy and collect taxes without express authority, or authority which must necessarily be implied in order to execute some expressly granted power. It follows then that if municipal corporations issue bonds without authority, or in an unauthorized manner, the bonds may be absolutely void, and yet municipal officers are constantly attempting to evade and circumvent the clear provisions of the law in order to provide funds for their ambitious schemes.

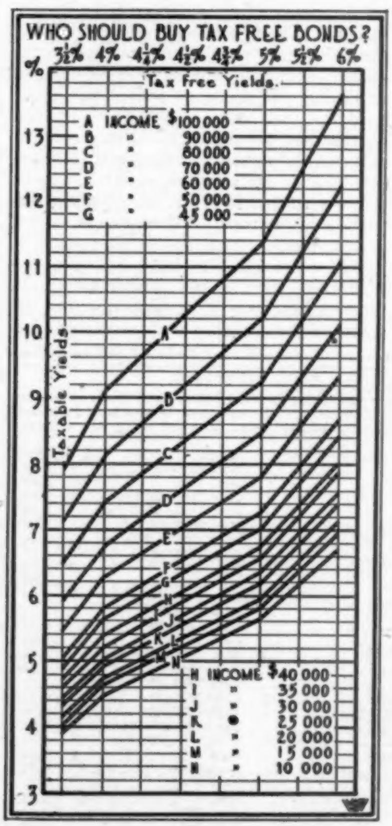
This statement is not merely theoretical conclusion. It is based on actual facts, which are of utmost importance. Municipal bonds to the value of hundreds of millions of dollars have been held illegal by the courts on the grounds of lack of power, exceeding the limit of power, creation for illegal purposes, unconstitutionality of enabling acts, and many irregularities in the methods of municipal procedure.

Validity then is legality that depends upon exact compliance with municipal law, which teems with intricacies, complexities and technicalities; and the courts usually demand the strictest adherence to the very letter of these involved and overlapping precepts.

Solvency is ability to pay debts. In municipal affairs, solvency is usually determined by the relation between net indebtedness and legal debt limitation, and these are matters which not infrequently baffle the most experienced bond accountants. Moreover the accounts of many municipalities are notoriously confused and misleading, and too, municipal corporations are not responsible for the correctness nor the truthfulness of their statements.

Hence it must be concluded that questions of validity are for the learned lawyer who has specialized in municipal law; that matters of solvency are for the skillful bond accountant; and that no man dare risk his accumulations without consulting the experts of the law and accountancy. Nevertheless, strange as it may seem, it is estimated that over $50,000,000 of municipal bonds have been purchased lately "over the counters" of eleven cities in the United States, as investments for small savings, without the precaution of neutral expert advice.

The very high standing of American municipal and district bonds is so well known that buyers sometimes assume that no precautions are necessary in making their purchases. This, as Mr. Mentzer shows, is a mistake. In certain directions more care is necessary than in buying corporation bonds. It is important for the investor to understand these special peculiarities in the position of municipals.



The above graph shows the yields of bonds under the income tax which are necessary to equal the yields of tax-exempt bonds as given at the top of the graph, for varying incomes. The incomes as given refer to the amount of income in each case which is SUBJECT TO SURTAXES—not the individual's total income. For emaple, suppose your income subject to surtax is about $27,000. You are considering a municipal bond which yields 5½%. This, of course, is not subject to the income tax. You wish to know what the yield of a taxable bond would have to be to give you the same final return as the 5½% municipal. Follow down the 5½% line to the point representing $27,000 of income subject to surtax. This point is, of course, between the $25,000 line and the $30,000 line, and you see that the necessary yield would be about 6.85%.

Municipal corporations proper and quasi-municipal corporations should be carefully distinguished.

Cities, towns and villages are of the former class. They are formed by the voluntary initiative of the citizens; granted liberal powers of local legislation; and are maintained for the administration of purely municipal affairs. Counties, tax districts, etc., are of the latter class. They are agencies of the state; created by the arbitrary action of the legislature; clothed with certain discretion in the management of district affairs; and are maintained for the more expeditious transaction of state business.

We have gone into this distinction for the purpose of setting forth that municipal bonds, as contemplated by the commercial world, are the contracts of the former class, and that the bonds of the latter class are designated by the name of the subdivision which may issue them, i. e., County bonds, School bonds and the like.

Bonds and Warrants

The difference between municipal bonds and municipal warrants arises in their use, form and economic intent. The former, as a rule, are used for the borrowing of funds, and therefore represent fixed or funded indebtedness. They are not unlike long term promissory notes and are usually negotiable. The latter are utilized more for the payment of current or floating expenses.

Warrants are in form similar to bills of exchange, but are as a rule not negotiable. They are orders of municipal officers, who have validated the claims of creditors, directing the Treasurer to pay the sums thereby acknowledged. Thus money may be borrowed by the sale of bonds for the erection of a bridge, and the proceeds of the sale disbursed to the erectors by means of warrants.

In our system of government, certain powers have been delegated to the Federal Government. Other powers have been reserved to the several States. The United States is soverign within the scope of its realm, and the States are sovereign within the scope of their realms.

Municipalities are the creations of the states, and their bonds are contracts enforcible by the courts of the sovereign state, which authorized their issuance, and in some instances by the courts of the sovereign United States.

It follows, therefore, that municipal bonds are created under the provisions of certain powers delegated by the sovereign states, and method is the measure of the power. Hence, if authority is not followed with strictness, no contract is

created that can be enforced, whereas the bonds of the Federal Government are created by sovereignty itself under the simple liberal provision of the constitution, that the congress shall have power to "borrow money on the credit of the United States."

Sovereignty may pay any claims, but can not be coerced. The bonds of the United States are not contracts enforciable against its will, but the United States Government has never defaulted nor repudiated a single dollar, and in this it differs greatly from municipalities. Hence the credit of the municipalities is open to question, but the good faith of the Federal Government is above suspicion, and is viewed with respect and appreciation by all the world.

The States too are sovereign and not coercible, and as there have been some serious defaults of state bonds, their credit is not as sound as is that of the United States. There is yet no adequate means to force the payment of state indebtedness, although nowadays the constitutional limitation on state debts is not uncommon.

Municipal and private corporation bonds are alike in that both are contracts, when created according to the power which has been granted by the legislature. They differ in that "municipals" are issuable under more exacting rules, and stricter interpretations. Municipal corporations are not accountable for their mistakes and blunders, whereas private corporations can not take advantage of their ignorance and carelessness.

Moreover the payment of municipal bonds depends upon the power to tax, and the existence of property that may be taxed for the purpose, while payment of private corporation bonds rests entirely upon the power to earn, and the existence of sufficient resources in excess of liabilities.

General Characteristics of Municipals

Municipal bonds may be issued in one of two general forms. The first is known as registered bonds, and the second as coupon bonds, although many times combinations of these two classes are found. As a rule they are interchangeable, and this feature increases their value. Men desire the option of changing their securities from one form to another as caprice or market condition may demand.

Registered bonds are distinguished by the registration of the owner's name in the transfer book of the municipality, and such record is good and sufficient evidence of ownership without producing the actual certificates. The advantage then is protection against loss, theft or destruction of the evidences of indebtedness, and too as interest is usually paid by mailing checks on the interest day to the owner of record, registration minimizes the responsibilities of long term investments.

The transfer of registered bonds is accomplished by formal assignment, and change of the name of ownership on the transfer book of the municipality. To expedite this transaction, blank forms are printed on the backs of the certificates, which should be completely filled out and signed by the person whose name appears on the faces of the instruments. Then without procrastination, the documents should be presented to the proper municipal officer with instruction to change the name of ownership in accordance therewith, as otherwise interest checks may be mailed to former owners.

It not infrequently happens that registered bonds are assigned in blank, that is, the assignment is filled out with the exception of the name of the assignee, which is left blank. The bonds then may be passed from hand to hand by mere delivery, as any person who happens to possess them may write his name into the form as the assignee and cause the municipal record to be changed accordingly. Registered bonds are not negotiable instruments.

The second class of municipal bonds, that is coupon forms, are so designated because they contain detachable coupons or interest warrants: orders for the payment of the several interest instalments as they become due. They are payable to order or bearer. The name of ownership does not appear on their faces, nor is it registered with the municipality. The advantage of coupon bonds in negotiable form is ready transfer, which is accomplished by indorsement and delivery if payable to order, or by mere delivery if payable to bearer.

Negotiable coupon bonds have liquidity approaching that of bank notes. They are therefore lost, stolen or destroyed at the owner's risk, and it is sometimes very difficult to establish the right to property without possession of the certificates.

The conversion of coupon bonds into the registered form is not uncommonly done by delivering the certificates to the proper municipal officer, who will detach and retain the unexpired coupons, indorse the instruments to show their changed character, and enter the name of the owner on the municipal transfer book. On the other hand, conversion from registered form into coupon form is generally accomplished by cancelling the registered certificates, and issuing new coupon bonds in their stead.

Meaning of Negotiability

Negotiability is an exception to the strict rule of the common law that one may not transfer to another better title than he has himself. It was invented by medieval merchants to simplify their commercial dealings, and is now one of the most important principles of local, national and international law. It is recognized by all civilized people.

The effect of negotiability is that a bona fide holder of bonds may sue the obligor in his own name, and recover the full face value of the obligations irrespective of any defences and counter-claims, which the obligor might have maintained against any other holder. The advantage of negotiability is ease of transfer without formality, and the power to sue as aforesaid.

The question then arises, what constitutes a bona fide holder of municipal bonds? Ordinarily such a holder is one who purchases negotiable instruments in the open market in good faith for value before maturity and without knowledge of defective title. But, it must not be forgotten that the legislature provides for the election of municipal officers; prescribes the form, manner and records of their official acts; and the public is charged with knowledge of the contents of these public records.

Public records are established and maintained as notices to the people. Moreover, no man is excused for ignorance of the law of the land. Furthermore municipalities are not accountable for mistakes in their records. Is it not, therefore, apparent that the status of bona fide holders of municipal bonds is more contingent and less secure than in other cases of negotiable instruments? W. B. Dean in "Municipal Bonds Held Void" tells of millions of dollars of municipal bonds invalidated in the hands of bona fide holders.

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(*Continued on page* 970)

EXAMPLES OF RECENT MUNICIPAL BOND OFFERINGS.

Municipals in some sections of the country are now obtainable to yield 6% or even more. Even the bonds of some of our big cities yield nearly 5%. It is necessary for the buyer to get late quotations from houses dealing in municipals, as offerings are usually sold quickly. The following are examples of some recent offerings by various houses:

Issue	Maturity	Yield
Woodbridge Twp., N. J., Imp., 5s	Oct. 1925	5.00%
Cambridge, Vt., Water, 4s	Jan. 1942	5.00%
New Hanover Co., N. C., School, 5s	July 1928–38	5.00%
Hillside Twp., N. J., School, 5s	Apr. 1937	5.00%
West Allis, Wis., Street Imp., 5s	Mar. 1921–23	5.00%
Pensacola, Fla., Improvement, 4½s	Jan. 1926	5.00%
Traverse Co., Minn., Ditch, 5s	Oct. 1925–33	5.00%
State of Arizona, Municipal, 5s	Mar. 1925	5.00%
Newark, Ohio, Grade Crossing, 4¾s	Apr. 1932	5.00%
Miami Conservancy Dist., Ohio, 5½s	Dec. 1933–44	5.10%
Kensington, Md., Water and Sewer, 5s	May 1936–37	5.10%
Cliffside Park, N. J., Sewer, 5½s	Mar. 1923–26	5.25%
Wheatland Co., Mont., Road, 5½s	Jan. 1934–35	5.25%
Sebring, Ohio, Water, 4½s	Apr. 1922–46	5.25%
Portsmouth, Va., Water, 5½s	Dec. 1948	5.25%
Lenoir Co., N. C., Road Improvement, 5¼s	June 1924–34	5.25%
High Point, N. C., Wat. Wks. & Fdg., 6s	July 1925–39	5.50%
Concord, N. C., School, 6s	Jan. 1922–42	5.50%
Peace Creek Drainage Dist., Fla., 6s	Apr. 10, 1921–26	5.50%
Stevens Co., Minn., Drainage, 5s	Oct. 1922–23	5.50%
Boston, Mass., reg. 4s	July 1926	4.85
Boston, Mass., reg. 3½s	June 1942	4.75
Lynn, Mass., reg. 3½s	Apr. 1935	4.85
New Bedford, Mass., reg. 4s	Oct. 1928	4.85
Newton, Mass., cpn. 4s	Aug. 1935	4.85
St. Louis, Mo., reg. Gold 4s	Oct. 1929	4.80
Kansas City, Mo., cpn. Gold 4½s	July 1935	4.85
Cleveland, Ohio, cpn. 5s	Feb. 1928–74	4.90
Toledo, Ohio, reg. 4½s	Sept. 1931	4.90
Smithville, Tex., Building Site Warrants, 6%	1922–34	6.00
Ward Co., Tex., Water Dist. 2, 6%	1922–53	6.00
Hidalgo Co., Tex., Warrants, 6%	1922–41	6.00
Madisonville, Tex., Street Warrants, 6.6%	1921–28	6.60
San Juan, Tex., Warrants, 7%	1921–40	7.00

Who Should Buy Liberty Bonds?

Low Prices of Government Issues Suggest Quesnon of Whether Switches from Certain Corporation Securities Would Not Be Advisable

By EDWARD GILMAN

THERE is a certain class of bonds which, on account of being strongly held with a minimum of offerings, has not reacted to the recently higher rates for money. While all persons with money should buy Liberty bonds at present levels, perhaps none will profit so much as holders of this particular class, for it is only a matter of time when all bonds will hit their true investment level.

On account of the unquestionable security, the large volume and the great activity, Liberty bonds will form the barometer of all American investment securities for years to come. They will also form a blanket above which no class of security, without special features or exemptions from taxation, can remain for any length of time. If everything else were equal—and scarcely anything else is equal—no corporation bond could be counted a bargain today unless it were yielding 0.25% more than the long-term Liberty issues.

If you are holding high grade corporation bonds, you will be interested in following a chain of events that has depressed Government issues, and has not, but will, depress railroad issues.

To understand the reason for the decline in Liberty bonds, it is necessary to recall that all the factors which make credit rates and hence bond prices were within the control of the Administration and Congress at the time the Government issues were put out. Since the control of these factors has been released, they have begun to operate naturally, with the result that Liberty bonds have found their true level.

At the outbreak of the war, the Treasury Department, in the foreknowledge that there would be a large volume of Government borrowing, formulated a plan for providing plenty of cheap money. The Federal Bank Act itself, by permitting the issuance of currency against instruments of credit and within a legal ratio to gold, formed the agency through which the money was provided. The Reserve Bank's rediscount rate establishes a basis within certain limits and by arbitrarily fixing this rate low, the rates on the various Government loans, determined by the Treasury Department, assumed an appearance of fairness which held the issues around par or at a nominal discount.

All this could not have been accomplished without the elimination of competitive bidding for credit. To this end, foreign borrowing was stopped and the requirements of America's allies were met by advances which the Government provided from the proceeds of its own bond issues. Unnecessary corporate financing was prohibited, and most of the credit needed by the corporations for large war undertakings was granted by the War Finance Corporation, organized as a Government agency for that purpose.

After the flotation of the Victory notes, the Government still had a large unfunded debt, together with pending claims, and it was undetermined for a considerable period whether another loan would not be necessary. For this reason, the Reserve Bank's rediscount rates were maintained lower than the conditions of the money market and the demand for credit warranted.

The growing conviction that another public loan would not be necessary, together with the general inflation in stocks and commodities encouraged by the low rates, finally led to a nominal increase.

That the rates were not advanced more sharply was due to two causes. The Government was still borrowing on short-term certificates, the rates on which were more sensitive to the bank rate than the rates on bonds. Thus, the lower the bank rate, the smaller the Government's interest bill. Moreover, it was necessary to graduate the increase slowly in order to save the country's banks from serious loss through decline in Liberty bond prices.

TABLE I.—MARKET POSITION OF LIBERTY BONDS APRIL 17.

Issues	Payable	Callable	Last Sale	Yield to maturity
First 3½s	1947	1932	93.60	3.87%
First converted 4s	1947	1932	90.30	4.63
Second 4s	1942	1927	86.98	4.97
First converted 4¼s	1947	1932	90.80	4.90
Second converted 4¼s	1942	1927	86.96	5.24
Third 4¼s	1928	....	92.00	5.46
Fourth 4¼s	1938	1933	87.00	5.37
Victory 4¾s	1923	1922	96.20	6.10
Victory 3¾s	1923	1922	96.08	5.02

TABLE II.—RAIL BONDS THAT COULD BE SWITCHED INTO LIBERTIES.

Bond	Price April 17	Rate	Period	Approx. yield
Atchison general	78	4%	75 years	5.50%
Central of Jersey first	97⅞	5	67	5.15
Chi. Bur. & Quincy general	75	4	38	5.60
Illinois Central first	83⅝	4	31	5.10
Lake Shore & Michigan South. gen.	66½	3½	77	5.30
Northern Pacific first	71⅞	4	77	5.60
Northern Pacific Terminal	106⅛	6	13	5.30
Pennsylvania consolidated	82⅜	4	28	5.20
Pennsylvania consolidated	85	4½	40	5.40
Union Pacific first	79½	4	27	5.35

Distributing the Loss

At the time the various loans were floated, allotments were made to each bank, which obtained subscriptions from among its clients and carried the bonds on a marginal payment. It was necessary, of course, that the bonds should never sell in the market below the face of the loans made on any large volume of bonds. Moreover, the patriotism of investors, while praiseworthy in itself, carried many of them beyond their means, with the result that in many instances subsequent instalments were not paid. In this situation, it became necessary to give the market losses, amounting to date to nearly $2,000,000,000, the widest possible distribution both as to time and to ownership.

The most recent decline in Liberty bonds was brought about by the pressure of corporate financing. While the restrictions on private borrowing were removed long ago, corporate demands for credit have been kept down until recently by general conditions. The industrial companies, although doing an unprecedented volume of business, had built up large cash surpluses, and in most instances where financing became necessary their prosperity enabled them to met their needs by sales of stock to their own stockholders.

It was not until the Government surrendered control of the railroads that it became necessary for the corporations to appeal to the general investing public for large sums. The new rates offered, together with the demands for short-term credit, forced the Government to sell 90-day certificates bearing 5% and 6-month certificates bearing 5¼%, while Liberty and Victory issues quickly dropped to proportionate levels.

Although none can predict what day-to-day rates and prices will be, there are indications that the turning point in the price level of fixed income securities is not many months distant. The best railroads are paying their bankers about 7½% for money and the best utilities more than 8%. From the very nature of these enterprises, it is obvious that they cannot afford to cover any large proportion of their plants with bonds netting such rates. In normal times, railroad and utility issues form by far the greater part of the country's bond financing.

Liberty bonds, being active and widely held, responded quickly to the new Government and corporation rates, but many of the old corporation bonds, inactive and in strong hands, have not done so. The highest grade railroad bonds in particular are still selling above their investment level, as they have for some time past. With the present yield from comparatively long-term Liberty bonds, it is doubtful whether any corporation bond, unless it has a special feature attached, should be selling today to yield less than 5.75%.

United States Steel sinking fund fives sell high on account of the annual drawing at 110, and Southern Pacific convertible fives will continue to sell above their true investment worth on account of the present and probable future value of the conversion privilege. There are many railroad bonds, however, with no such fea-

(Continued on page 1013)

Which Is the Best Convertible Bond?

A Comparison of Leading Industrial and Railroad Convertible Bonds—When is the Conversion Privilege Attractive?—Factors Involved

By MAX GOLDSTEIN

ONE type of bond which has come strongly to the fore of late years is the convertible bond, which may be converted into common or preferred stock of the issuing corporation at a fixed price. In addition to the ordinary investment features of an ordinary bond, convertibles of course have all the speculative possibilities of common stock, and their prices tend to follow the fluctuations of the stock more or less closely.

A convertible bond, therefore, may be bought to take advantage of the possible advance in price of a stock, while offering a greater margin of safety than the stock represents. To be of value, therefore, the conversion price of the stock must not be so high as to make it improbable that the market price will advance up to or beyond that figure. For instance, if the bond is convertible into the stock at par of $100, and the market price of the stock is 28, it would take a considerable advance in the price of the stock to make the conversion privilege of value, and if one has sufficient confidence in the security to believe that it will go up that high, obviously a given amount of money will buy four times as much stock as of the convertible bonds, so that under these conditions the stock is a better purchase.

Ordinarily, the price of convertible bonds whose privileges seem about to become valuable are high enough to discount the possible profits to some extent. A good indication of what the market thinks about the conversion possibilities of the bond is tq notice if the yield is well below that of other bonds of a similar degree of safety which are not convertible. Where this condition obtains, somebody apparently has hopes of converting at a profit, and the lower yield should not deter investors who are satisfied with the other features of the bond, as a yield of one or even four points less per year on the stocks would be much more than counterbalanced by the market profits obtainable if the stock had even a fair advance.

Convertible bonds are therefore a good medium for the spec-vestor, who demands a fair degree of safety for his investments and a fair outlook for market appreciation. Taken in another way, the purchase of a convertible bond is a call on the stock at a fixed price. In cases where this call is believed to have some value, the market sets a price on it by selling the bond at a higher price than it would command without the conversion feature, and this difference amounts to the price of a long-term call on the stock.

To determine the value of a convertible bond, therefore, first the ordinary factors of bond analysis must be considered: asset protection, liens, the number of times interest is earned, value of junior securities, yield; in addition, however, the investor should analyze the security from the standpoint of a stock whose market possibilities he wishes to estimate, and then decide whether he is not paying too dearly for the privilege of a call on the stock. From these points of view the following securities have been chosen as worthy of further investigation from the standpoint of the possible value of their conversion privilege.

Amer. Agric. 1st Mtge. 5s, 1928, and Debenture 5s, 1924

Of these bonds, the issue maturing in 1928 is convertible into preferred stock, which pays 6% and is cumulative, at par, while the 1924 bonds are convertible into the common, also at par, at any time before maturity. Obviously from the standpoint of the conversion privilege, the preferred is less worth while than the common, as anything that would raise the value of a 6% preferred stock would have the same effect on the bonds, while the common has at least the hope of an increased dividend rate or an extra.

Earnings on the common have been consistently above $10 a share since 1915, and reached their low last year at $10.34. For the fiscal year ending June 30, 1920, a good increase is expected, business conditions having been good in the fertilizer industry, though of late car shortage has interfered somewhat with deliveries. In the event of the company's declaring a special dividend or increasing the regular rate, the common, now selling at about 94, should benefit materially in market price, and it would not take much to send it above the conversion price of par.

From 1915 to 1919 a surplus of $72 a share was piled up, strengthening materially the position of the common. The convertible debentures, while not having the complete security of the first mortgage bonds, are preferable to them in so far as the opportunities for exercise of the conversion privilege are more attractive in the common than in the preferred. At current prices the preferred yields about 6.67%, which is quite low, and indicates the safety of the stock. However, it could not go much higher at a time when good railroad bonds are selling to yield 7%, while the common may. Interest on both issues has been earned by an extravagantly wide margin since 1911, between five to ten times over, so that security is of the highest grade.

Amer. Tel. & Tel. 6s, 1925

These bonds are convertible into the common at 106, which is about 9 points above the present selling price of the stock. At this price the yield is about 8.25% on the common, although the present dividend rate has been in force since 1907, and the earnings of the company are trending upward with the worst of the public utility situation practically over. The main reason for this high yield is the fear in the minds of some that the dividend may have to be cut. The stock has sold above the conversion figure in every year since 1901, and between 1909 and 1916 never sold as low as 106.

At present prices the bonds yield some 7½%. Total interest charges have been earned from nearly four to six times over for years, so that they are fairly safe. Should the stock settle to a 7% dividend basis, to which it would seem entitled on the grounds of stability and increasing earnings, its price would be about 115, which would show a fair profit on the conversion of the bonds. At the same time owning the bonds instead of the stock would insure the investor against a dividend cut if one should be deemed necessary, as a cut of even one point in the 8% dividend on the stock would bring the annual yield down to 7.22%, or less than the bonds with a smaller degree of security.

Lack Steel 1st Consol. Mtge 5s, 1950

These bonds are convertible at par, but this privilege is limited to the Series A bonds, of which $6,902,000 are outstanding, and expires on Feb. 25, 1922. The bonds are well secured by liens on limestone, coal and ore lands, with junior and collateral liens on other property, and a sinking fund provision for the retirement

TABLE OF CONVERTIBLE BONDS.

Bond.	Maturity.	Price.	Yield.	Price of Stock.*	Price at Which Conv.	Stock, 1917-1919 High.	Stock, 1917-1919 Low.
Amer. Agric. 1st Mtge. 5s	1928	88	6.80	100	100	103½	89⅛
Amer. Agric. Deb. 5s	1924	95	6.40	90	100	113¾	72
Amer. Tel. & Tel. 6s	1925	94	7.50	96	106	128½	90⅝
Lackawanna Steel 5s	1950	92	5.50	82	100	107¾	62½
Peerless Motor Truck 6s	1925	93	7.70	44	50	46	12
U. S. Smelting 6s	1926	98	6.40	67	75	78⅛	36
Vir.-Car. Deb. 6s	1924	98	6.58	108	110	115⅞	98
Atchison 4s	1960	82	4.92	80	100	107½	75
Norf. & Western 4s	1932	76	6.85	92	100	138⅝	92⅝
Norf. & Western 4½s	1938	96	4.84	..	100	...	..
Norf. & Western 6s	1929	97	6.92	..	100	...	..
Southern Pacific 5s	1934	98	5.20	98	100	115	75¾

* April 26.

of $100,000 annually at 105 and interest. Interest charges have been earned steadily since 1910, with the exception of 1914, when only one-fifth of charges was earned. Since that time the best showing was made in 1917, when interest was earned 11 times, and the poorest, 1919, when it was earned only 1.33 times, largely because of strikes in the latter part of the year. This year, before the railroad strike, shipments were running at 80% of capacity, and orders have been booked at advancing prices until well into the second half.

At current prices the yield on the bonds is only about 5.57%, but they have the advantage over the issues previously discussed of being long-term bonds, and therefore more likely to improve in price on a strictly investment basis in case of a general reduction in bond yields than the short-term bonds. The company is conservatively managed, and has plowed back into the property most of the large earnings of 1916-1918. Its stock has sold above the conversion price in 1916, 1917 and 1919, and in case of any considerable boom in the steels within the next two years may show a good market profit on conversion. It might also be worth while exercising the privilege in case of the declaration of a large stock dividend, for which the company is favorably situated.

Peerless Truck & Motor 6s, 1925

These notes, which are a direct obligation of the corporation and secured by the deposit of subsidiary stocks, are convertible into the common stock at 50, or par. It is provided that excess of current assets over all indebtedness must always equal at least 60% of the notes outstanding. At present there are about $2,700,000 left, the rest of the $5,000,000 originally issued having been bought in.

The stock is paying dividends at the rate of $5 a year, or 10%, and is selling at about 44, on a series of steady advances from 20 last year. About 5,000 cars are estimated to have been turned out last year, and about 8,000 are figured for 1920. On this basis earnings should be some $12 a share, compared with $4.03 in 1919 and $3.86 the year before. The expansion in production does not involve additional expenditures, as present capacity is said to be about 10,000 cars a year, which is well above the limits of actual output.

At current prices the notes yield about 7.55%, which is excellent, considering their good security. The one difficulty is that the company is now engaged entirely in the maintenance of pleasure cars, having given up the manufacture of trucks, and this type of business is particularly vulnerable in case of a depression. It is also true that the tendency in the automobile industry is for the consolidation of smaller units into larger, which are thereby enabled to offer more effective competition, a factor which may be of more importance in a year or so than it is at the present time.

However, the notes offer a call on the stock at 50 for five more years, and it is scarcely likely that even if a temporary depression in the business does occur a corresponding reaction will not arise to bull the motor industry and motor stocks before five years are up. In the meantime the holder of the note will have a good security of fairly high income yield.

U. S. Smelting & Ref. 6% Notes, 1926

These notes are convertible into common stock at the rate of $75 in notes for each share of stock, par value $50; in other words, three $1,000 notes could be converted into 40 shares of stock, a procedure which would be worth while of course only when the stock was about or above $75 a share. As the present price of the stock is about 72, this does not seem so improbable. At the same time, the bonds are selling at about 101, and therefore yield about 5.90%, indicating that the privilege is considered to have some market value.

Present dividend rate on the stock is $6 a share, or 12%, while last year's earnings showed $14.07 a share, during a time of depression in the copper market, and to some extent in lead also, compared with $8.75 in 1918 and $20.49 in 1916, the best year of recent times for the copper producers. U. S. Smelting's large production of silver was primarily what enabled it to make such a good showing last year, and there do not seem to be any indications of any sudden decline in the price of silver to pre-1919 levels. With any substantial recovery in the copper market, such as is indicated, and lead keeping up its present strength, U. S. Smelting's earnings for the current year may equal its 1916 record, if not surpass it.

Signs of the progressive character of the management are shown in the fact that the company has gone into oil development work in Louisiana on a 50-50 basis with the Sinclair Oil Co. The company has got rid of some of its old properties and made a thorough revaluation of its property, strengthening its financial position incidentally by having a working capital of about $40 per share of $50 par value.

The yield on the stock at the present time is about 8.33%, with earnings improving and the metal markets generally in a promising position. Accordingly the stock would seem a reasonably safe purchase, and in view of its higher yield, a better buy for the short turn than the bonds, although the latter undoubtedly offer a very good opportunity to advance because of their convertible feature.

Va. Caro. Debenture 6s, 1924

The possible margin of profit in these bonds is somewhat smaller than in some of the others discussed here, as the bonds are convertible into the preferred stock at 110, near which price it is selling at the present time. At 99, ten $100 bonds are selling at about the same price as nine shares of preferred stock at 110 into which they are convertible. The difference is that the $990 invested in the bonds will yield less than $60.80 a year to maturity, while the same amount of preferred stock will yield $72 a year at the 8% dividend rate.

The question is whether the extra degree of security obtained by carrying the bonds is worth the $11 and over of income difference per year, or, put in another way, whether the preferred stock is not selling out of line with the bonds. As the 8% dividends have been paid every year since 1896, though two quarterly dividends in 1915 were paid in scrip, redeemed the following year, and as the dividends have been earned from three to five times over for the last four years, it would seem that either the bonds will go down or the preferred stock go up. As the latter is the more likely, in view of its higher yield, it would seem profitable to convert the bonds into the preferred stock, which would be at 126 if it were selling on the basis of U. S. Steel preferred, whose earnings record is not more impressive comparatively. In spite of their already low yield, therefore, the bonds may reasonably be expected to follow the preferred stock upward, as they are now in equilibrium on the basis of the terms of conversion privilege.

Atchison, Top. & Santa Fe 4s, 1960

In the case of railroad convertibles, somewhat different considerations enter than in the case of industrials. For one thing, experts are agreed that neither the operating results of the past two years, nor those of current operations, can be taken at their face value in estimating the relative merits of railroad stocks, so that indications are hard to follow. In the following brief studies the writer has attempted only to figure out the relative positions of the stocks and the convertible bonds of three of the best railroad systems in the country.

The Atchison bonds are convertible at par into the stock up to June 1, 1923. At 82, they yield but little more than 5.05%, which would be well out of line with the investment market when Liberty bonds are selling to yield 5½% if it were not for the possible future value of the conversion privilege. The stock pays 6% and is selling at 78, yielding about 7.80. The earning power of the system has been more than enough to maintain the 6% rate since 1910. However, while gross revenue increased 75% between 1910 and 1919, net rose only 40%, whereas normally the increase should have been greater than the increase in gross as it costs less to handle more business.

One thing that is strongly in Atchison's favor, besides its increased business, is the extremely diversified nature of its traffic, well distributed among agriculture, manufactures and mining, which tends toward greater stability of earnings. Its large proportion of through and long-haul traffic, the cream of the railroad business, is also strongly in its favor.

The bonded debt is only 45% of the capitalization, and interest charges have been earned between 2½ and 4 times over since 1910, even last year under the difficulties then prevailing having been earned with 150% to spare. This issue is a direct obligation of the company, and no new mortgage can be executed against the lines owned in 1907, when the bonds were issued, without equally securing this issue.

The stock has sold above par in every year but 1918, when its high was 99¾. As only a ten point improvement would be needed to bring the stock to the point where a profit could begin to appear on conversion, the bond would appear to be a good purchase for investment with one eye on the market, remembering that the call is a good option for three years, by which time the sheep should have been sorted from the goats in the railroad field.

Norfolk & Western 4s, 1932; 4½s, 1938; and 6s, 1929

All three of these bonds are direct

obligations of the company, but have no lien upon the road or any part of it. The 1932 fours should be distinguished from an issue of the same maturity but of five years' earlier date, whose conversion privilege has expired. In the order stated above, their privileges of conversion into common stock at par read as follows: "at any time before Sept. 1, 1922"; "up to and including Sept. 1, 1923"; "at any time after Sept. 1, 1919."

Norfolk & Western has made a good operating showing under Federal control, compared with a number of other first class operating properties, earning 90% of its Federal compensation in 1918 and some 55% in 1919. In 1920 so far they have been earning at the rate of 40% of the Federal compensation.

One trouble with Norfolk & Western has been its high proportion of coal traffic, which carries a very low rate, and therefore has the least margin of profit. A rise in operating costs will therefore hit this kind of traffic hardest, and this explains N. & W.'s poor showing on the face of the figures, while railroad men still have great confidence in the road. With an improvement in freight rates, therefore, this road should again do well, as its road and equipment have been well maintained; in fact, better than before 1918. Its traffic is also becoming somewhat more diversified, the percentage of bituminous coal to total freight carried having been cut in 1918, though it rose to 64% last year.

As Federal compensation amounts to between $11 and $12 a share on the common, it is evident that the interests of stockholders are well secured until September at any rate, and with favorable consideration of requests for rate increases N. & W. should be one of the most prosperous Eastern roads. The common yields slightly over 7%, while the bonds yield, respectively, 7.00% and 6.12%. The latter would seem to be the best buy, as they have the longest call, and it may take some years to consolidate the position of the stock to a point where it will sell between 110 and 140, as it used to only two or three years ago.

Southern Pacific Debenture 5s, 1934

Southern Pacific has so often been discussed in great detail in the columns of THE MAGAZINE OF WALL STREET that all we need here is to mention briefly some of the points brought out in previous articles. Southern Pacific earned on an actual operating basis about $17.65 a share in 1917, some $13.75 in 1918 and $9.00 last year, while Federal compensation was about $11.25 a share. With the return of its steamship lines, the settlement of the oil lands suits, and a highly probable increase in rates, Southern Pacific would astonish nobody if it repeated its 1917 results for years to come. As the present dividend rate is only 6%, increased disbursements would be by no means reckless.

Selling at 100, the 5s yield exactly 5%, and constitute a call on the stock on par until June 1, 1924. In the opinion of the writer, they are the best buy in the market among convertible bonds from every standpoint, including safety, though they are not a mortgage but a direct obligation.

Why Farm Loan Bonds Are Exempted From Taxation

By GUY HUSTON,

President American Association of Joint Stock Land Banks

THE Federal Farm Loan Act was framed to provide for the great underlying industry of agriculture a complete system of credits to release and divert to agricultural purposes the vast sums of money required to make farming reasonably profitable and to encourage the farmer to stay on the land and stick to his job for feeding the world.

Both long-term credit and a low rate of interest for the farmer are made possible by the issuance of bonds secured by farm mortgages running twenty or thirty years.

But these bonds have to be sold on the market in competition with other securities.

This, then, is the condition which confronted Congress: There are now outstanding tax exempt securities in the form of municipal and State bonds, Liberty bonds, etc., variously estimated to amount from $12,000,000,000 to $18,000,000,000. The amount of these is so great as to make it impossible to sell in competition with them any taxable bonds bearing a low rate of interest. In a word, if the farmer was to have a low rate of interest, then his bonds had to be exempted from taxation, as were the bonds with which they had to compete.

And Congress, confronted with the problem of protecting and increasing the nation's food supply, did exempt farm loan bonds from the operations of the Federal income tax. Congress took this action in the interest of the nation as a whole.

Now, what is the condition at this time which would seem to make the foregoing reason for exemption insufficient? It is purely a question of revenue to the Government.

Under any condition, the loss of revenue to the Government through the converting of farm loans into tax-free bonds would be almost negligible.

There are $4,000,000,000 of farm mortgages in the United States, which, according to the best authorities, are held as follows:

Insurance companies	$1,100,000,000
Savings banks, State banks, trust companies, and commercial banks	1,000,000,000
Eleemosynary institutions	400,000,000
Local loans	1,250,000,000
All other	250,000,000
Total	$4,000,000,000

On the first two classes of investors, which carry $2,000,000,000 of the volume of the mortgages, income tax is paid only on the profit of those institutions, just as joint-stock land banks would pay on their profits as banks. Eleemosynary institutions pay no income tax.

Local loans are those carried in small units by local investors who pay only a nominal income tax, if any. These are not commercial loans and will not be disturbed and can not be made under the provisions of the Federal Farm Loan Act. This leaves only $250,000,000 of loans that could be reached by the income tax.

As the kind and volume of tax-free securities constantly change, it is difficult to obtain statistics exact for any given date, but the following estimate of the aggregate tax-free securities of all kinds now outstanding is sufficiently accurate for comparison:

Seven billion dollars of municipal, county and State bonds and about $800,000,000 more are issued yearly; $1,000,000,000 of special-assessment bonds of cities; $3,000,000,000 of mutual savings bank securities; $1,700,000,000 of building and loan securities; $4,000,000,000 of first and last Liberty loan bonds; $87,000,000 of Federal reserve bank stock; $300,000,000 Farm Land bonds; $17,000,000,000 grand total of tax-free securities.

From the above, it appears that Farm Loan bonds, issued by both Federal and joint stock land banks constitute less than 2% of the total, while the $46,255,000 of joint-stock land bank bonds outstanding constitute less than one-third of 1%. This naturally raises the query that, conceding the principle of tax exemption to be wrong, why apply the remedy only where the wrong is actually the least and relatively insignificant?

Is the revenue to be collected on the income from Farm Loan bonds sufficient to warrant the Government in reversing a public policy and removing a tax-exemption intended to enable the farmer to increase his production and to encourage the farmer to stick to his job?

PRECAUTIONS IN BUYING MUNICIPALS

(*Continued from page* 966)

they bind the municipality, and import the intended meaning, but unusual form and unfamiliar words arouse suspicion and decrease marketability. The same rule applies to dates and places of payment. Bonds should be dated after authorization, and if duration runs from the dates, it must not exceed legal limitations.

Municipal bonds must be properly executed by genuine encumbent officers empowered to so bind the municipality. The signatures of unauthorized persons do not create enforcible contracts. Moreover power to execute municipal bonds is not power to deliver them, and municipal bonds are not contracts until actually delivered by an expressly authorized officer to persons who take them as holders.

It is concluded with confidence, therefore, that as exact compliance with the provisions and limitations of law is necessary to the security of municipal bond contracts, and as evasion of the law is not uncommon, no man may safely invest in these evidences of debt without the advice of municipal bond experts.

For God's sake give me the young man who has brains enough to make a fool of himself.—STEVENSON.

Current Chicago Finance

New Developments in the Field of Money and Banking — Recent Bond Issues — Striking Features of the Business Situation

By **ROBERT H. MOULTON**

THE one adverse factor in the business situation lately has been the switchmen's strike, which has had a decidedly serious effect not only in disrupting traffic conditions, but also in restricting production in many instances. The steel and iron plants have been affected materially, facing the necessity of laying off hands in several instances. But one feature of this situation is that in many cases employes have gone into other lines of work, finding no difficulty in obtaining employment. The result is that on some roads it is feared there will be difficulty in obtaining sufficient help.

Building operations have reached important proportions and the question of supplies is serious, contractors being hampered by delayed deliveries due to transportation conditions. General business is affected likewise. Retailers are sending complaints of short stocks, due to delayed deliveries. At the same time the volume of buying at distributing centers is considerably in excess of a year ago. Cotton goods continue strong and in active demand. The backward spring in the south, unfavorable planting conditions, lack of ample supply of fertilizer, and scarcity of labor are all tending to keep down the acreage.

Collections are good. Farm prices continue to advance for all grains, and this is tending to increase the buying power. Corn has exhibited considerable strength during the last two weeks. Continuance of the government wheat guarantee for thirty or forty days after it terminates June 1, proposed by Senator Capper of Kansas at the request of western growers, is opposed by President Barnes of the United States Grain Corporation. Present crop conditions have brought wheat above the government price, and there is no necessity of protecting the wheat crop of 1919, which may still be on the farm, according to Mr. Barnes. He believes that government injection into business should be terminated at the earliest possible moment.

Trading in U. S. Gypsum Stock

Trading on the local curb during the week ending April 17 was quiet. There was an advance in Gypsum common, which at the close was quoted 71½ bid, with cheapest stock offered for sale at 72½. The preferred was quoted 93 to 94. The United States Gypsum company, with headquarters in Chicago, will reincorporate and recapitalize under the laws of Illinois. The capitalization will be increased from $10,000,000 to $18,000,000, in the near future. The company now has $6,000,000 preferred and $4,000,000 common stock, both of $100 par.

Under the recapitalization plan there will be $10,000,000 preferred, part of which will be exchanged share for share for old preferred stock, either $20 par or no par value, representing $8,000,000. The new common stock will be exchanged on the basis of five shares of new for one of old. This exchange of stocks will leave $4,000,000 each of new preferred and common stocks unissued, which will be offered to stockholders pro rata, and sold from time to time as more working capital is needed. President Sewell L. Avery says that the new Illinois incorporation law is more liberal than the one under which the company was originally incorporated in New Jersey, and that it will be decidedly to the advantage of the company to be incorporated under the laws of the state where its principal place of business is located, and from which its activities are largely directed.

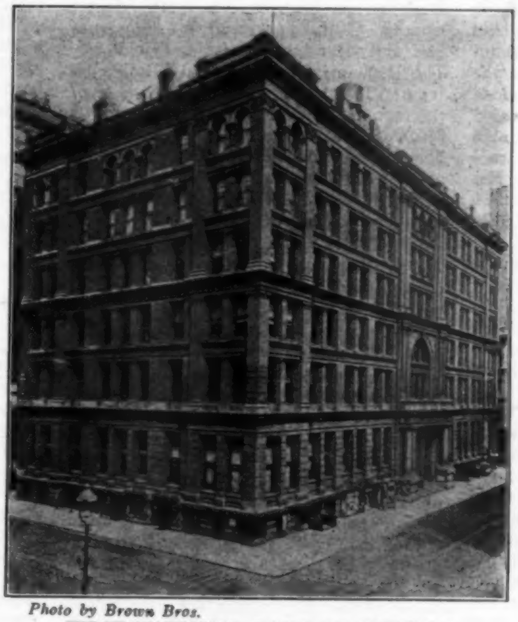


Photo by Brown Bros.

FIRST NATIONAL BANK OF CHICAGO

This, one of the largest banks in the west, is expected to shortly increase its capital stock from $10,000,000 to $12,500,000

The securities market has shown little recuperative ability. With the break in the quotations for Liberty bonds and the exceedingly tight money market it is rather surprising that demand for investment securities has proven even as strong as has been the case. New offerings flood the market, it appearing to be the policy of underwriting syndicates to offer each new security on a basis to yield a little better than the one preceding. Apparently every banking syndicate is attempting to get its offerings on the market before the demand dries up entirely. This obviously is a short sighted policy even though the needs of corporations are great, for the investing public is thoroughly fed up on new issues. A much wiser campaign, it would seem, would be to float the issues a little farther apart and allow them time in which to be really digested.

At the primary election on April 13 the voters decisively defeated the proposition to saddle an additional debt of $34,500,000 on the city of Chicago by voting bonds for bridges, a Memorial Convention Hall, small parks and playgrounds and for the extension and rehabilitation of the municipal street lighting system. It was realized by men and women alike that any additional indebtedness incurred by the city meant additional taxes, and that additional taxes meant higher cost of housing, which is already at the top notch. While the debt of Chicago is not great compared with that of many other cities, it is growing and the issuance of the proposed bonds would have carried it within $1,000,000 of the limits allowed by the law.

First National Bank May Increase Capital

Expectation of an increase in the capital of the First National Bank has caused an active demand for that stock in the last few weeks and an advance in price to sales at 515, a new high record. This compares with 485 when the stock sold ex-dividend during the first week of April. The present plan, which will be considered by the directors late in April, is to increase the capital stock of the First National Bank by 25%, or from $10,000,000 to $12,500,000, and to offer new stock to the stockholders at $100 a share in the ratio of one new share for each four shares now held.

With a view to an increase in the capital stock the officers of the bank first investigated the feasibility of the declaration of a stock dividend under the terms of the law governing national banks. The result was not favorable. The ruling of the comptroller of the currency always has been that any new stock issued by a national bank must be paid in full, and an opinion of the solicitor general of the treasury given recently requires a continuation of this policy.

Under this ruling, the only way the bank could make a bonus distribution would be the declaration of a cash dividend, with which the stockholders could

purchase the new stock. This dividend would come under the application of the income tax law, and, in the case of the First National, many of the principal stockholders would have to turn over 50% or more to the government. Because of the special law under which they are operating, therefore, national banks are not benefited in the same way as other corporations by the recent decision of the Supreme Court regarding stock dividends.

The alternative method of increasing the capital stock of the bank and offering the new shares for sale to stockholders was, therefore, decided upon by the directors of the First National. This is the method followed when the last increase in the stock of the "First" was made, in April, 1910, when the stock was increased from $8,000,000 to $10,000,000, the $2,000,000 of new stock being sold to stockholders at $200 a share.

Under the conservative management of James B. Forgan, chairman of the board, and his associates, the First National Bank is one of the strongest, in resources and earning power, of Chicago's financial institutions. At the first of this year the combined capital, surplus and undivided profits of this bank and the First Trust and Savings Bank, which it owns, amounted to $37,471,539. Combined deposits were $298,433,551. Since 1915 the First National has paid dividends of 22% a year, and has built up a surplus of $12,000,000. The officers of the bank feel that its strong position amply warrants an increase in capital stock.

Reserve Banks Restraining Inflation

In an effort to check the great inflation of credit in the middle west and to discourage further borrowing by the banks, the Chicago Federal Reserve bank has imposed a higher rate of interest on loans to the banks secured by bankers' acceptances. The rate was increased from 5¼ to 5½%. Other rates remained unchanged. The necessity for discouraging loans to the banks, which in turn is expected to cause the banks to curtail their loans to customers, lies in the fact that the Federal Reserve bank now has loaned to member banks the largest amount in its history, which was $396,544,867 a short time ago.

Chicago bankers report a strong demand for money, although the credit strain shows evidence of easing. In this connection the announcement that the latest offering of treasury certificates of indebtedness produced subscriptions of about $200,000,000 is interesting. The certificates run three months and bear interest at the rate of 4¾%. This was about the same amount produced by a preceding issue running one year at the same interest rate.

As one Chicago banker puts it, with the present credit strain and consequent high interest rates, even the government has some difficulty getting money. The large banks cannot go heavily into treasury certificates at 4¾% when there is a demand for all their money at 7%. Rates in Chicago for ordinary accommodations are firmly established on a 7% basis, with some shadings in particular instances.

Collateral loans are made from 6½ to 7% with the higher interest rate undoubtedly the general one in force. Commercial paper ranges just a little lower, but many of the best names are discounted at 7% and almost none on better than 6¾%. Conditions looking toward easier money do not materialize, although it has been expected earlier in the year by many leading bankers that the tightness of the market would be materially relieved by the middle of April. But that business and industry in the Chicago district remain at flood tide despite credit handicaps is evidenced in the fact that Chicago bank clearings for March made a new high monthly record, aggregating $3,175,902,777. This compares with the former high record of $2,856,731,829 established in January, and with March, 1919, total of $2,247,290,085, making the current figures an increase of more than 40% over March last year.

A syndicate headed locally by the Continental and Commercial Trust and Savings Bank and Halsey, Stuart & Company, has offered an issue of $4,952,000 Reclamation District No. 1,500, Sutter County, California, serial 6% bonds at par and accrued interest to yield 6%. The issue matures in annual instalments from 1930 to 1939. The present value of the acreage included in the district is $16,000,000 compared with a total bonded debt of $6,650,000. The bonds are payable from assessments levied against property in the district and constitute a first lien (subject to state and county taxes) on the entire district.

Another recent offering was an issue of Consolidated Textile Corporation 3-year 7% debenture notes at 98½ to yield approximately 7.55%, which was bought by a syndicate composed of the Central Trust Company of Illinois, the Federal Security Corporation, and Hambleton & Company. The Consolidated Textile Corporation is a consolidation of various old established cotton goods manufacturers. Assets as shown by the balance sheet are more than 4 times the total issue of notes, and net earnings for 1919 were approximately 10 times interest requirements. The notes are convertible at any time into 22 shares of the no par value stock of the corporation for each $1,000 note.

GENERAL DU PONT SEES NO SHORTAGE OF CAPITAL

(*Continued from page* 956)

now a U. S. Steel subsidiary, operating under the name of the Lorain Steel Co.

A word about the Du Pont de Nemours Powder Co., with which the General's name seems indissolubly linked. This concern has supplied the United States with powder to fight its battles since the war of 1812, and when the Hun hammered down the outer gates of civilization, it almost doubled its output overnight. But in spite of this, only about 2% of its powder is now used for martial uses, the greater part being manufactured for mining, railroading, farming purposes. Many industrial uses for dynamite were discovered in the Great War. The by-products of this company number about 250 commodities, it being the largest manufacturer of "ersatz," pardon the German word for substitutes, in this country.

When, about twenty years or so ago, the head of this historic concern, Eugene *I*, died, his cousin Alfred something (they carry initials like Napoleon's), got in touch with another cousin, Pierre *S*, who was living in Ohio, and the General (Coleman *T*) agreeing to their urgings, agreed to take the helm. He certainly didn't need the money, didn't know anything about powder, but the three made a most successful triumvirate. The numerous subsidiaries, which General Du Pont standardized, employed 40,000 and during the war there were no strikes.

When the General says he'd rather play than work, remember the Latin blood in him, and make allowance for his mellow habit of indirection, and finesse. This is just a subtle way of his telling young men that "If their work doesn't give them satisfaction, money never will." The words are his—the General's. "Ambition" and "fair" are other words that frequently are drawled from his lips in the soft tones of a southern gentleman. And who shall criticize this polished raconteur, this excellent host, if he seems to be becoming a bit avid for gayety? A life of close application to hard work has neither hardened his heart nor killed his play instinct. General, I salute you!

SHIPPING MEN CONSIDER JONES BILL CONSTRUCTIVE LEGISLATION

President H. H. Raymond, of the American Steamship Owners' Association, Approves Bill

"As the Jones shipping bill is still under consideration by a sub-committee of the Senate Committee on Commerce, and is still liable, as I understand it, to changes and additions, it is not feasible to go into much detail in commenting on the proposed legislation.

"Generally speaking, however, the bill, in most of its main features, seems to have made a favorable impression on shipping men. We like its emphatic declaration at the very beginning, that 'It is necessary for the national defense and for the proper growth of our foreign commerce that the United States shall have an American merchant marine of the best equipped and most suitable type of ships sufficient to carry the greater portion of its commerce, and serve as a naval or military auxiliary in time of war or national emergency.' There is the further declaration that it is 'the policy of the United States to do whatever may be necessary to develop and encourage the maintenance of such a merchant marine,' and the Shipping Board is directed to consider this as 'the primary end to be attained.' I do not recall that any such positive declaration of a purpose to encourage and sustain the American ocean shipping industry has ever before been proposed in Congressional legislation.

"Moreover, the Jones bill declares for ultimate private ownership and operation by American citizens, a point on which most of our people now seem to be agreed.

Adversity is sometimes hard upon a man; but for one man who can stand prosperity there are a hundred that will stand adversity.—CARLYLE.

A Rare Chance to Salvage Losses in Railroad Stocks

A $25,000,000 Railroad, Free from Debt and Designed by a Great Banking House as a Link in Chicago-New Orleans System, Is Selling for $5,000,000

By CHARLES REMINGTON

IF you have losses in railroad stocks you will be interested in a suggestion for reclaiming them. It is a suggestion that you take your losses in certain stocks, to be noted later, and employ the proceeds in buying the stocks, now selling at 30% and 20%, respectively, of their intrinsic value, of a railroad that owes nothing except to its stockholders, and is about to form the southern half of a new system connecting Chicago, St. Louis, Mobile and New Orleans.

By referring to the map in the annual report for 1913 of the old St. Louis & San Francisco Railroad, you will find worked out there in detail a plan for a system connecting the Gulf with the Great Lakes. At that time, which was during the administration of B. F. Yoakum, 'Frisco Lines controlled the Chicago & Eastern Illinois and the New Orleans, Mobile & Chicago. 'Frisco lost both of the subsidiaries in its own reorganization, the New Orleans, Mobile & Chicago has been reorganized as the Gulf, Mobile & Northern, while the tentative reorganization plan, which will soon be announced in behalf of Chicago & Eastern Illinois, is made a part of this article.

At the time the Yoakum plan was announced, the New Orleans, Mobile & Chicago ended at Middleton, Tenn. It was proposed to build from there northeast to Lexington, Tenn., and form a connection with the Nashville, Chattanooga & St. Louis, over whose tracks to Paducah, Ky., rights could have been obtained. From that point there were several plans for connecting with the Chicago & Eastern Illinois across the Ohio River.

The failure of the 'Frisco System killed the Yoakum plan, out of which, being practical in its physical features, has grown an even better plan, resting in stronger hands. As a part of the old plan, Chicago & Eastern Illinois; Chicago, Burlington & Quincy and Louisville & Nashville organized the Paducah & Illinois Railroad to bridge the Ohio River at Metropolis, Ill., and to build a railroad from the south bank to Paducah, a distance of fourteen miles.

By reason of its financial difficulties, Chicago & Eastern Illinois was forced to withdraw, but the two other roads carried through the project. As the Paducah & Illinois Railroad was organized under a Federal charter to bridge a navigable stream, any other road, including Chicago & Eastern Illinois, which can conveniently build to the approaches of the bridge may use the property by bearing its part of the cost and upkeep.

This privilege would get the Chicago & Eastern Illinois to the south bank of the Ohio River. Meantime, the Gulf, Mobile & Northern, reorganized from the New Orleans, Mobile & Chicago, has built north from Middleton, Tenn., to Jackson, in the same State, a distance of about 45 miles. The urgency of this construction is manifest from the fact that it was carried on during the war with funds advanced by the Director General. The extension, which was opened in September, 1919, gives the road an additional 5% of the through rate.

Can Close the Gap

The gap of about 130 miles between Jackson, Tenn., and the Ohio River can be closed in either of two ways. At the time Gulf, Mobile & Northern was organized, a $15,000,000 mortgage due in 1946 was created but no bonds have been issued thereunder. As the road has no debt, the bonds would find a ready market. Thus, the company is in a position to build if need be. The other possibility is the negotiation of trackage rights over Illinois Central from Jackson, Tenn., to Paducah, Ky., and the knowledge that the company is able to build will probably secure the rights.

PRICES APRIL 17 OF STOCKS RECOMMENDED FOR SWITCHES.

Gulf, Mobile & Northern common	11⅛
Gulf, Mobile & Northern preferred	34
Atlanta, Birmingham & Atlantic	6
Baltimore & Ohio common	34
Chicago & Eastern Illinois common	9¼
Chicago & Eastern Illinois preferred	9
Denver & Rio Grande common	7⅛
Denver & Rio Grande preferred	12¾
Erie Common	13¾
Erie 1st preferred	21
Erie 2nd preferred	15
Missouri, Kansas & Texas common	8⅝
Missouri, Kansas & Texas preferred	13¼
Texas & Pacific	42¾
Western Maryland common	10¼
Western Maryland 2nd preferred	*17
Wheeling & Lake Erie common	10⅝
Wheeling & Lake Erie preferred	16⅛

*Closing bid.

Chicago & Eastern Illinois has always suffered from a preponderance of short-haul traffic, and it can never be made a profitable system without remedying this condition. With terminals at Chicago and St. Louis, the charges at these cities absorb the revenue from freight hauled short distances. Gulf, Mobile & Northern, with a terminal at Mobile and trackage rights over the New Orleans & Northeastern from Laurel, Miss., taps the largest body of long-leaf yellow pine left in the South. The products of this timber would form the bulk of the system's business for many years, and the linked-up roads would get a long haul on the freight, as the principal market would be Chicago and vicinity.

It will be seen, therefore, that the purpose to join Chicago & Eastern Illinois and Gulf, Mobile & Northern does not grow out of a desire to consummate a piece of financial legerdemain but out of a pressing traffic necessity.

As the development of this plan is waiting on the reorganization of Chicago & Eastern Illinois, it is well to consider first the details of that plan. Under the present form of organization, the company has outstanding about $61,500,000 bonds, $6,000,000 receiver's certificates and $18,267,900 stock of both classes. The preferred and common will be treated alike and assessed $30 a share, which will provide $5,480,370 cash. As the plan will be underwritten, the assessment will be paid.

Bondholders under two of the mortgages have already foreclosed on the coal properties, leaving about $51,000,000 bonds to be taken care of by the plan. The refunding and improvement fours of 1955, of which $18,019,000 is outstanding, will receive an account of principal and about 24% in accumulated interest, 65% in 5% cumulative preferred stock and 35% in common. The general consolidated and first fives of 1937, of which $21,343,000 is outstanding, will not be disturbed as to principal, but the 25% accumulated interest will receive 65% in preferred stock and 35% in common. On the Evansville & Terre Haute refunding fives of 1941, of which $1,278,000 is outstanding, no accumulated interest will be allowed, but the principal will receive 65% in preferred and 35% in common stock. None of the other small issues will be disturbed as to principal, but they will fare differently as to accumulated interest.

Under the plan about $19,000,000 bonds will be converted into lesser forms of security, leaving about $32,000,000 of the old bonds undisturbed. For the $5,480,370 in cash to be realized from the stock assessment, the plans provides 65% in new 5% consolidated mortgage bonds and 35% in new common stock. Thus, about $3,500,000 bonds will be created, making a total bonded debt under the plan of about $35,500,000, in addition to a few equipment trusts.

The old bonds and accumulated interest that do not participate in the new bond equity amount to about $30,000,000, and the provision of preferred stock for these claims in the ratio of 65% would call for an issue of about $19,500,000. The original plan provided 5% income bonds in the same ratio for these claims, but the opinion prevails that such a bond is no better than a preferred stock, and all the protective committeemen with whom I have discussed the subject favor a senior stock as against an income bond.

The provision of 35% in common stock to meet the claims described in the preceding paragraphs calls for about $10,500,000. Holders of present preferred and common stocks will receive 100% in new common, calling for about $18,250,000. In addition, the provision of 35% in common for the cash assessment calls for $1,750,000. Thus, the new company will have about $30,500,000 common stock, or total capital liabili-

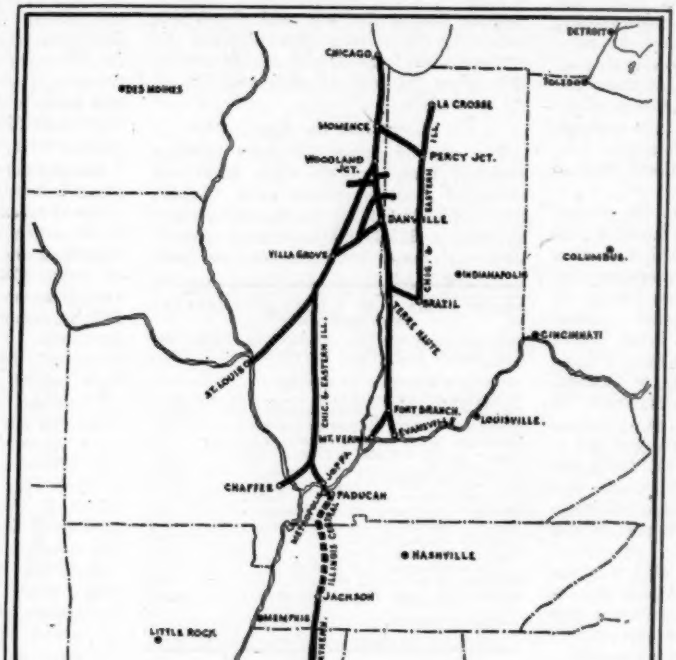
ties of about $85,500,000, an approximate offset against investment in road and equipment.

The cash to be raised by the assessment, with money in the hands of the receiver, will be used to pay off $6,000,000 receiver's certificates and provide working capital.

Probable Earnings

Under the proposed form of organization, the $4,450,000 compensation allowed by the Board of Referees would be equivalent to about 6% on the new common stock.

I have studied this plan in connection with the prices of present Chicago & Eastern Illinois securities and the probable prices of the new securities, and I cannot see much hope of immediate profit, although the ultimate profit is likely to be considerable. I can see no point in paying $10 a share for the stocks in order to pay a $30 assessment except for purposes of control. The refunding and improvement fours of 1955 look better around 25, but I am dissuaded from recommending them by the belief that the stocks of Gulf, Mobile & Northern offer a far greater bargain, if not the greatest in the railroad list.



PROPOSED CHICAGO AND EASTERN ILLINOIS—GULF, MOBILE AND NORTHERN SYSTEM

The organization plan of the New Orleans, Mobile & Chicago provided that the holders of the 5% mortgage bonds should receive 83 1/3% in preferred stock of the Gulf, Mobile & Northern and 75% in common. Stockholders were assessed $10 a share and were to receive 50% each in preferred and common, but as few paid the assessment little stock was issued on that account.

As reorganization managers, the United States Mortgage & Trust Company came into control of the property and nominated the voting trustees with whom the stock is deposited. The trust company is controlled by Kuhn, Loeb & Company, who have charge of the reorganization of Chicago & Eastern Illinois. This banking group and its associates are reported to have increased their interest in Gulf, Mobile & Northern since the reorganization.

The Gulf, Mobile & Northern, with $22,-166,900 stock of both classes, came into possession of the property January 1, 1917. The Meridian & Memphis Railway was acquired in 1918 through assuming $260,-000 of that company's trust notes and the issuance of $300,000 stock. At present the capital liabilities consist of $27,000 old Memphis, Jackson & Kansas City bonds, the $260,000 assumed notes, $11,494,400 6% preferred stock cumulative from January 1, 1920, and $10,972,500 common. The property was carried in the investment account on December 31, 1918, at $24,-693,858, but since that time the extension from Middleton to Jackson has been completed out of surplus income at a cost of over $2,000,000. With practically no debt, the stocks are outstanding at the rate of $48,000 a mile, or less than the rate at which many roads are bonded.

In 1917, the only year of corporate operation, when deferred maintenance was being extinguished, Gulf, Mobile & Northern showed about $1 a share on the common. Standard return, which the company has not agreed to accept, is equal to about $5 a share on the preferred. These earnings, however, are no measure of the property's possibilities when it becomes part of a through north-and-south system.

No detailed plan for the merger of Chicago & Eastern Illinois and Gulf, Mobile & Northern has been worked out, and it is probable that none will be attempted until the reorganization of the former is complete, but representatives of the interests in control give me assurance that stocks of the latter will receive their due.

As control of the two properties is largely in the same hands, no motive exists for attempting to consummate an inequitable plan. Gulf, Mobile & Northern preferred can hardly receive less than par. The common can hardly get less than 60 and may receive more. A plan offering the common less than par would be warranted, because a valuation of the property would not be likely to sustain the book values within about $4,000,000.

Recovery of Losses

Gulf, Mobile & Northern offers, I believe, the best opportunity in the railroad list for the recovery of losses in other rails. On account of the low price of the common, there are many higher priced stocks that can be turned into this issue in the ratio of two shares of Gulf, Mobile & Northern common for each share sold. In this way, the profit measured in points could be doubled.

Meantime, the common is selling too low for the preferred. At 100, the senior issue would show a 200% profit, a percentage that would bring the common only to 33, and the issue will certainly have to be figured much higher in the pending merger. Instead of 11 and 34, as at present, the stocks would be in better line at 20 and 34, as the preferred has accumulated only 1½% in dividends.

If holders of Atlanta, Birmingham & Atlantic, whose officials have suggested that the rails be torn up, will buy 75 shares of Gulf, Mabile & Northern common for each 100 shares held, I believe they will better their position.

If a holder of Baltimore & Ohio common will buy three shares of Gulf common for each share held, he will have a fair chance of recovering the biggest loss he can possibly have in the stock. A smaller loss could be recovered by a switch into Gulf preferred in the ratio of share for share.

Even holders of Chicago & Eastern Illinois preferred and common, who do not wish to pay the $30 assessment, should switch into Gulf common, which they can do with little or no loss.

I cannot press too strongly the recommendation that every holder of Denver & Rio Grande preferred or common abandon hope in his position and sell. One hundred shares of the common will buy about 75 shares of Gulf common, while the preferred can be switched into Gulf common at a cash saving.

A share of Erie common will leave some cash in the hands of the holder after buy

(*Continued on page* 982)

Nation's Commercial Credits in Safe Condition

By **J. H. TREGOE**

Secretary of the National Association of Credit Men

THE country's potential wealth has made it possible for well-directed energy, with certain types of skill, to win success and frequently great riches. This has been done too frequently at an excessive cost; that is, too much has been wasted in the process, as illustrated by the manner in which we have used our timber and mineral resources. With the approach of the period when intensive and not extensive processes will be required in the treatment of the country's natural wealth there must arise a new order of things, and added to well-directed energy an intelligence that will utilize every atom of material and bring waste to the smallest fraction.

Our business classes have neglected the study of economic laws. They have been able to produce and to distribute, but whenever the nation gets into a crisis there is groping about with a fear and an indirection that has led to six distinct disasters in our industrial history.

This defect must be repaired by giving to the growing youth of the nation a knowledge of fundamental economic laws. Should we produce for future generations a body of business men with the proper force and effective intelligence they could take advantage of the nation's resources, keep her at the forefront of world progress and maintain that relation in the production of commodities, in the skillful utilization of agricultural products, that would save the periods of fear and indirection, the chief encouragements of serious disturbances.

Underproduction a Feature

During the war period the production of materials needed for war purposes, and our own unprepared entrance into the struggle gave an undesirable one-sidedness to our commerce. Buying material and labor at any price gave a false stimulus to production; and at the signing of the armistice the reaction to these conditions was felt in a lowered human morale and extravagant habits and ideas which put the nation in a topsy-turvy condition.

The increased wage, the advance in prices and the inflated currency brought about conditions that we have had to watch with every degree of alertness and with a readiness to put our shoulder under the structure were it to topple.

The under-production in basic commodities has been felt in the feverish anxiety to catch up, with every possible incentive to labor to help in this process; but the spending period was on, the wage seemed to be the point of highest consideration without that direct obligation to production that would assist in overcoming the shortage, reducing costs and lowering the prices nearer to the safety point.

The ability to buy added to the willingness to buy has made business in luxuries and even necessities very good during the past eighteen months, and a decided disposition to spend, with the inability upon the part of the merchants to keep their stocks replenished, caused among them a panicky sensation resulting in a clamoring for commodities of various types, and which the producer and the first distributors were unable to satify.

In this period payments were usually very good and prompt from the consumers to the buyers of the basic commodities, and the chief problem was getting the goods rather than getting the pay when credit obligations matured.

During this period the bad debt losses of the nation have been exceedingly small, the smallest within the record of reporting agencies or within the knowledge of the present generation and the preceding generation of credit grantors.

Mr. Tregoe has recently toured the country with a view to sizing up business conditions and the general credit position. He consented to give our readers the benefit of the impressions derived from the trip.

Retail Stocks Somewhat Larger

Recently there has been discovered upon close observation a distinct tendency with certain commodities to catch up so that the shelves of the retail merchants have been fuller than they were formerly, and this condition was found especially in some tightening of payments and a strain on the loanable funds of the nation for commercial purposes.

Throughout the business fabric there is discernible a very distinct fear. The fear in most instances is indescribable; it is merely a fear. This fear on close analysis results from the peculiar conditions of the time and the peculiar nature of our present crisis. Men feel something in the air, something they are unable to explain or even to describe; it is merely in the air. This is just the situation where a well-bred knowledge of economic laws would help our commerce; for on comparison and a review of the nation's former major disturbances we find they resulted from over-production, and what we term a panic is hardly possible when the production of basic commodities is falling so far below the demand.

The stringency of loanable funds reflected in the higher discount rates and lowering reserves is a barometer of conditions which, upon careful study, will lead us to appreciate, in fact, to understand, that we have been going at a very feverish pace, and we need a little relaxation in which to regain healthfulness. It is well to point out, though, at this juncture that we shall never again be as we were prior to the war; that we have, in fact, expanded as a nation; that our situation in world affairs has vitally changed, and it is merely the inflation, with which we must deal properly in order to save ourselves from a disturbance, that will bring a mark-time period in our industrial affairs.

The commercial credits of the nation are generally in a safe condition; credit men have been very much alert, at no time have they been put to sleep by prosperity, and we have urged them to maintain an unfaltering lookout and carefully to analyze every cloud apearing on the horizon.

Speculation in commodities has been one of our chief sins. The raising of the discount rates has forced upon the market very many of the commodities stored away in anticipation of higher prices, and if speculation may be curbed and merchants led "to buy as they need, and to pay as they buy," we shall have removed this menace from our commercial life and relieved our credit powers from a very serious strain.

Big Security Offerings

There is one feature causing in our minds a feeling of serious alarm; that is, the great amount of securities offered for the digestion of the market. Securities, some desirable, many undesirable, some safe, many unsafe; and as they are absorbed the liquid capital of the nation is transformed into fixed capital, and to that extent legitimate commerce is deprived of the necessary financial support. Every effort should be devoted to the elimination of this process which has run rampant in recent months, with a never failing stream of attractive advertisements offering shares of stock in industrial enterprises at a most attractive interest return.

Looking as we are privileged to do on the nation from the Atlantic to the Pacific, we are impressed with the character of its business enterprises. There has been a great transformation in the past three decades, for whereas shrewdness, not character, had been in the past the prominent and much sought for feature of commerce, now character is elevated above all features and the rank and file of our business public, though they may in instances be unqualified and unadapted, yet seem to be striving to transact their business right and to be characterful in their relations with other men.

There is no gainsaying the fact that in our business structure as things are now going we have many dangerous elements of which the lowered human morale and immoral extravagances are the chief. Only as we are able to check these tendencies and prevent prices from rising to a peak from which a reaction must undoubtedly come through the crumbling of our industrial powers, have we reached the zone of safety and successfully weathered the present storm.

The weather eye of every credit grantor should be directed to the horizon, his best skill expressed in a checking of unsafe tendencies and his ideas consecrated to a preservation of the nation's liquid capital so that too large a portion of it shall not be transferred into fixed assets.

What Thinking Men Are Saying

Conservation of Credit and Restricting Speculation Urged by Federal Reserve Board—Development of Foreign Trade and Reconstruction of Railroads the Most Pressing Problems

SITUATION DEMANDS CAUTIOUS POLICY IN BUSINESS

Francis H. Sisson Does Not Fear Panic, However

"It is difficult to understand how commodity prices can decline materially in the immediate future. But this is a period in which there is ample opportunity and urgent demand for the use of foresight, common sense, caution and conservatism in business. By the use of such qualities we can not only preserve our prosperity, but also increase it and put it on a sounder basis.

The reason he's so hard to capture

—Orr in Chicago Tribune.

"I believe our greatest need today is business sense at Washington that will put our business on a sound basis that will assure value received for the dollar spent.

"We are not on the verge of a panic, and in my estimation we are not going to have one, yet the situation is one that deserves great caution."

FURTHER CREDIT RESTRICTIONS NECESSARY TO INDUSTRY

Federal Reserve Board Advises More Effective Bank Policy

"It would seem that whatever may have been done to bring inflation under control, the needs of industry and the seasonal requirements of the spring agricultural and manufacturing undertakings now in progress in certain sections have combined largely to offset the effects of contraction by increasing the total volume of commercial business which the banks are required to handle. How far the demand for funds to meet speculative requirements enters into the increase in loan and deposit account cannot be precisely determined by the board. Whether, therefore, this increase in any appreciable degree is to be taken as indicating a lack of ability to control credit expansion is far from certain.

"At all events, the situation emphasizes the necessity for bringing the speculative use of the credit facilities of the Federal Reserve system under control at as early a moment as possible in order that credit shall be available as needed for the requirements of industry as the season advances. There is some reason to think that an increasing share of banking funds, both at the reserve institutions and at the member banks, is being offered to the direct service of commerce and industry, but what has already been done in that direction needs to be carried further and rendered more effective."

BANK AND TRADE ACCEPTANCES SHOULD REPRESENT LIVE BUSINESS

Chairman Wills, of Cleveland Federal Reserve Board, Emphasizes the Fact That Our Currency Is Now Based on Rediscounts

"I think it may be said that credit difficulties and problems which have cropped up in the use of bankers' and trade acceptances have their origin in the departure from one of the foundation principles of acceptances. The principle to which I refer is that an acceptance, whether it be bankers' or trade, is primarily intended to finance or represent a particular transaction, and, whether it is permissible by law or not to do otherwise, a bankers' acceptance should show on its face some definite evidence of the transaction it purports to represent.

"While it may have been necessary during the war to finance certain revolving credits by the acceptance method, there is no reason now why we should not get back to the safe and historic method in acceptance practice.

"I am not offering any objection to any concern obtaining capital direct from the people provided that concern is engaged in legitimate and necessary business and will be competently and honestly managed.

'The objection that is offered is to that part of the business of the companies mentioned that consists in 'beating the devil around the stump' in order to make a technically eligible piece of presumably commercial paper, and in doing so ignores, overlooks or repudiates the principles which the better banking judgment of the United States has been trying to have govern in those instruments and represent actual sales.

"The purpose in creating this sort of paper is to use it as a basis for obtaining credit, coupled with the intimation that rediscounting credit of the Federal reserve bank may be extended on instruments of this character when offered by a member bank. Should it not occur to those who suggest a procedure of that kind that in the finality the currency of the country is issued on the security of the rediscounts at the Federal reserve bank?

"Unofficially, and acting solely in a personal capacity as a citizen of the United States, I much prefer to see the currency based upon a different class of promises-to-pay than those where the seller of goods has absolved himself of responsibility by conveying it for a substantial consideration to a finance company which is neither a producer, seller, nor buyer of goods."

INDUSTRIAL TROUBLE-MAKERS CANNOT SUBVERT ECONOMIC STATUS

Judge Gary Confident Country Will Withstand Attacks

At the annual meeting of stockholders of the U. S. Steel Corporation, Judge Elbert H. Gary, chairman of the Board, said, in part:

"There is more or less social disturbance in this country. There has been a bold, deliberate, underhanded movement instituted by people who are not loyal to the principles of our Government. They endeavor maliciously to bring about trouble, to create panic, to disturb the banking situation, anything and everything which will secure financially such a feeling of unrest as may precipitate trouble brought about by people who think that anything may be better than the present conditions.

"They will not succeed. At least 97½ per cent of the people of this country, when they act in accordance with their own desires and judgment, are loyal to the principles of our Government. And they won't succeed because such men as you and I, the officers of your corporation, propose to do what they can to maintain and stabilize the conditions of the country.

When you wave a red flag, look out for the bull

—From N. Y. Times.

"The people of the United States never had so good an opportunity for progress and prosperity as they have at the present time. In that respect the conditions have been improving for the last year or more. We may take and maintain the leading position, industrially, financially,

commercially, of all the nations of the world; we have the resources, which are natural and permanent, to occupy and maintain that position."

TREASURY DEPARTMENT OPPOSES BONUS TO LIBERTY BOND BUYERS

Secretary Houston Decries Favoritism Toward "Special Classes"

In a letter to Senator Frelinghuysen, author of a Senate Bill providing for the issue of $30,000,000 50-year Government bonds, exempt from all taxation, Secretary of the Treasury Houston said:

"Many patriotic people bought Liberty Bonds under the impulse of patriotism who have been unwilling, since the war was over, to continue to lend their money to the Government and have forced their holdings on the market more rapidly than others could save funds to invest, with consequent depreciation in market prices. The remedy is for the people to work and save, to keep their holdings of Liberty bonds as investments, and to purchase additional Government securities with their savings.

"To make valuable gifts to the people who subscribed for their bonds on definite terms for a definite period, would in my opinion be subversive of all decent principles of government. The Treasury is as much opposed to a bonus to bondholders as to a bonus to other special classes in the community."

PRUDENCE DEMANDS PROTECTION OF CREDIT WHEREVER POSSIBLE

Nat'l Bank of Commerce (Detroit) Warns Against "False Lure of Inflation"

"Just as long as consumption exceeds production there will be active business

He needs less dope and more exercise

—Alley in Memphis Commercial Appeal.

and a consequent increasing strain upon credit. It would seem the part of prudence therefore to safeguard credit in every way possible. At the present time overworked credit sadly needs a breathing spell. We should endeavor to nurse back to health our exhausted servant rather than have a period of mourning more or less prolonged.

"It must be apparent to all that we cannot continue to draw from the reservoir of credit without replenishing the depleted supply with our savings. To follow the false lure of inflation, which fills the workingmen's pockets with depreciated paper money, thus encouraging him to extravagance because he believes himself to be affluent, is a gross wrong to the entire community. We should immediately retrace our steps and begin to deflate thus returning as soon as possible to a sane basis.

"If it is necessary to conserve credit for industrial uses by again increasing the discount rate of the Federal Reserve bank, by all means let the remedy be applied at once lest there be a menace in procrastination. A large amount of credit now tied up in non-liquid loans would then doubtless become available within a short time for purposes of production and distribution. Deflation must proceed! Otherwise unrest and distress may soon be reflected in undesirable political action. It would be neither wise nor prudent for the Federal Reserve Board in Washington to defer action until the strain of crop moving is upon the country next fall."

SUREST STIMULUS TO BUSINESS IS DEVELOPMENT OF THE RAILROADS

President E. W. Decker, Northwestern National Bank of Minneapolis, Confident Prosperity Would Follow

"If the transportation systems are allowed to develop their properties to a state of efficiency commensurate with the natural growth of the country, although doubtless requiring many years of persistent effort and close application to the best business principles, there is no reason why this country should not enjoy a long period of reasonably continuous prosperity.

"This calls for more economy on the part of the general public, because to invest money we must first save it, and while a parsimonious program is not desirable, undoubtedly a reasonably economical one is imperative.

"We are now witnessing in a small way efforts on the part of railroad companies to secure money with which to pay for new rolling stock, there having been already offered a number of railroad equipment notes, proceeds of which are to be used for the purchase of new cars. If they are successful in these first efforts, broad plans on a much larger scale will be taken up.

"Not only is it vital to the country that these greater plans be made possible by restoration of railroad credit, but there is no greater stimulus to general business, no greater assurance of business activity, labor employment and maintenance of general prosperity than in a program for transportation upbuilding."

BETTER RAIL TRANSPORTATION WOULD IMPROVE CREDIT SITUATION

Knauth, Nachod & Kuhne Emphasize Importance of Prompt Deliveries

"It is trite to discuss the fundamental importance of the railroads to our economic life. They are as important to the functioning of the industrial and social system as are the arteries to the proper functioning of the human system. Congestion in the one produces deterioration as surely in the other.

"If the capital to rehabilitate the railroads is obtained at current rates tariffs must be raised accordingly. Until efficiency in railroad transportation is restored the credit situation of the country will continue to be strained. This conclusion is unavoidable.

"The length of time it takes a manufacturer to convert his raw materials into cash has a direct bearing on the general credit situation, besides, of course, determining whether the operation is concluded with loss or profit. 'Frozen

Crow for the man; nothing for his dog

—From "Coal Age."

credits' is the term sometimes used to describe this locking up of credit, and its effect can scarcely be exaggerated. Not in isolated cases, but daily in the cases of thousands of manufacturers and dealers, this situation is arising. It appears to have gone beyond the point where the importation of gold and the discouragement of speculation are effective remedies. We have seen its effects in the longshoremen's strike, which tied up New York harbor and piled up millions of dollars' worth of goods that could not promptly be moved and turned into cash. There are numerous similar situations arising every day in nearly every manufacturing plant and every city in the country. Permanent relief will come with better rail transportation, and an improvement in the credit situation will follow."

AMERICAN EMBARGO ON RUSSIA SHOULD BE LIFTED

Former Secretary of Commerce Redfield Believes Soviet Collapse Would Follow

"At present the Soviet points to the American embargo with the cry that were it not for this embargo the Soviet would flourish. I say, remove this embargo and so take this argument away from them. The lifting of the embargo by America would result in no great increase of commerce, but would have the effect of showing the coerced Russian people that embargo or no embargo the Soviet theory is contrary to economic law and cannot endure.

"I find that few of the business men, comparatively, in the United States realize the importance of Russian trade. If Russian wheat were asserting itself in the markets of the world today, the cost of living in America would be greatly reduced. Just another proof of Russia's power as a producer, consider the flax crop. Russia normally produces 70% of the world's supply, and her present production is negligible."

UNITED STATES WILL EMERGE FIRST FROM EFFECTS OF WAR

Charles A. Otis, of Cleveland, Believes Our Financial Position Unassailable

"The United States of America is today in a financial position stronger than

GOING RIGHT ON EXPENDING—
But perhaps it is Mr. Burleson's fault. The news that the war is over may have been delayed in the mails
—Reid in Chicago Post.

the greatest imagination could have pictured six years ago.

"During the war period it met and successfully solved previously unheard of difficulties and is now in a strong position to meet the present problems. All that is needed is to forget the past few years and to get down to hard work and economical living.

"The action of the Federal Reserve Board in attempting to curtail unnecessary expansion by raising discount rates, and the rather general present acceptance that it is impossible to continue our large export business by extending enormous credits, makes me believe that the United States will get out of this war inflation of everything more quickly than was ever done before in the history of the world, and that this will be accomplished in a gradual, orderly fashion. If everyone—the laborer with his labor, the capitalist with his capital, the manufacturer with his factories—will simply get down to hard work, the whole problem will be solved, but not until then."

QUICK ACTION IS NECESSARY TO RESTORE FOREIGN TRADE

Vice-President John McHugh, Mechanics & Metals National Bank, Deplores Delay

"The international trade situation is a serious one, and too great emphasis cannot be laid on the need of corrective action quickly applied. We have been frittering away our time and our opportunity to avail ourselves of world markets for the products of our farms and the output of our factories.

"If we would be successful in remedying conditions so that our export trade may be much improved, it will avail us but little unless our production be brought up to a point where we can supply foreign demand for our goods without subjecting ourselves to increased costs for what we here need.

"The situation is one so full of dangerous possibilities that a great national campaign might well be inaugurated having as its objective the education of the public to the necessity of building up our foreign trade and supplementing it with increased production and economy to the end that our people be kept well and profitably employed and that a great national calamity be avoided."

PUBLIC IS BEGINNING TO ACCEPT RAILROADS AS PARTNERS

Chauncey Depew Notes Change for Better in Sentiment of People

"Transportation, naturally simple, has been complicated by politics and selfish interests on all sides. Public service has been constantly imposing burdens on the roads, and railway men have been fre-

Forget George and get busy
—From Cleveland Plain Dealer.

quently demanding advances, invariably granted, which in most cases were deserved. Yet when it comes to the railroads, saying, 'Will you allow us to put back by increased rates into our reservoir what has been taken out?' the public officials say, 'No, you must find some other way.' The other way is to cut down service and prevent investors from having the faith to put their money into needed expansions and repairs, without which the railroads cannot live and the public cannot be served.

"For the first time in 50 years the public is beginning to look at the railways as partners. It is the first time in half a century that public officials are understanding that the people comprehend the question. The law recently passed is the only fair legislation with regard to all parties in the whole existence of the railways."

EQUIPMENT SHORTAGE IS WORST RAILROAD PROBLEM

President Smith, of N. Y. Central, Predicts Government Operation If Needs Are Not Meet

"In 1910 we asked the authorities at Washington to give us 10% increase in freights, but they declined to grant our request.

"If we had received it then, our equipment would now be ample.

"We are probably short today 10,000 passenger cars, and 2,000 modern locomotives.

"We are making huge contracts to repair equipment that came back shaken by two years of war. The New York Central lines, the last week, authorized buying $50,000,000 equipment.

"If you do not see the railroads rehabilitated, then you have the alternative of letting the Government get them, along with taxation which you do not want to pay."

GRADING SYSTEM WOULD ENHANCE COTTON PAPER'S SALABILITY

John G. Lonsdale Urges Growers to Devise System of Identification

In an address to Texas cotton growers, President Lonsdale, of The National Bank of Commerce in St. Louis, said:—

"The wealth which has been brought to the cotton sections within recent years, in conjunction with the facilities of the Federal Reserve System, enables the grower to carry his cotton for as long a period as is necessary to insure an equitable price. If banking assistance is needed, it is not lacking. Nevertheless, it is not yet time to rest.

"When one has a Texas warehouse receipt now he has a symbolical bale of cotton—but what kind of cotton? What is it worth? There lies another difficulty which should be removed. It is to the advantage of you who are interested in cotton to have cotton paper readily salable in every money market of the United States, because only in that way can you

A beggar's pack and stick
—Page in Louisville Courier-Journal.

be permanently assured of prompt and economical financing.

"A bale is not a bale in value, any more than a horse is a horse. One bale is worth $100; another $300. It is to your advantage, gentlemen, to devise some method of identification which will enable the buyer of cotton paper to ascertain for himself with a fair degree of accuracy just what is the market value of the cotton pledged as security. I do not profess to know how you can accomplish this. I am aware that it presents difficulties—but it should be done."

THE OUTLOOK

Where Some of the Profit Taking Came From—The Panic in Japan—Congestion of Security Markets—Bargains in Bonds—The Market Prospect

In various articles in this issue stocks are analyzed which are in a favorable position as regards earning power and intrinsic value, but in vew of the doubtful money outlook and a weak technical position in many issues, we do not favor purchases at the present time. This, however, does not apply to investment purchases of long term bonds or the highest grade preferred stocks.

WALL STREET is at a loss to explain why the average price of thirty representative industrial stocks declined from 104.33 to 95 within the few days ending Wednesday, April 21. The New York *Sun* states that a "weird, mysterious selling movement apparently originating spontaneously from all parts of the country, was responsible for the decline." It is said that "the reason has not yet come out." That is why we have decided to print the reason. There is nothing weird or mysterious about it.

The "Outlook," especially the last paragraph entitled "The Market Prospect," is read by at least one hundred thousand individuals who are holders of securities. (We print about 45,000 copies per issue.) Its suggestions are followed by several times that number, consisting of friends of the subscribers and others in the banks, banking and brokerage offices to whom these opinions are transmitted.

Hence something happened when in our April 17th number, we made the suggestions:

That money conditions did not favor any important advance from the level prevailing Tuesday, April 13.

That distribution by large interests, if not already begun, was likely to begin soon.

That high prices created by prospects or declarations of stock dividends were likely to encourage profit-taking by shrewd holders of these stocks.

That this is not a time to be looking for bargains in stocks but to be realizing on advances.

When these one hundred thousand or more subscribers, news-stand buyers and readers of this column read that opinion, they immediately started to liquidate. They began on Thursday, April 15, and we estimate that between the succeeding two or three sessions they sold 3,000,000 shares.

Our "Outlook" further said, "By the time the period of distribution is over investors should plan to be pretty much out of stocks and 'long' of money or sound bonds." It was this suggestion which was acted upon before the market started to decline, but it was this 3,000,000 shares which probably turned the scale at a time when the market was in a technical position where any substantial selling or any sort of bad news would have turned it down.

We do not mention these facts in order to claim credit, because this magazine does not aim to be a factor of such importance in stock market affairs. We are not seeking to influence prices, but to influence our readers to take advantage of certain situations which we endeavor to judge correctly. In this instance we have saved subscribers and their friends a great deal of money. It gives us a great deal of satisfaction to have been able to render this service through a publication costing only $6 a year.

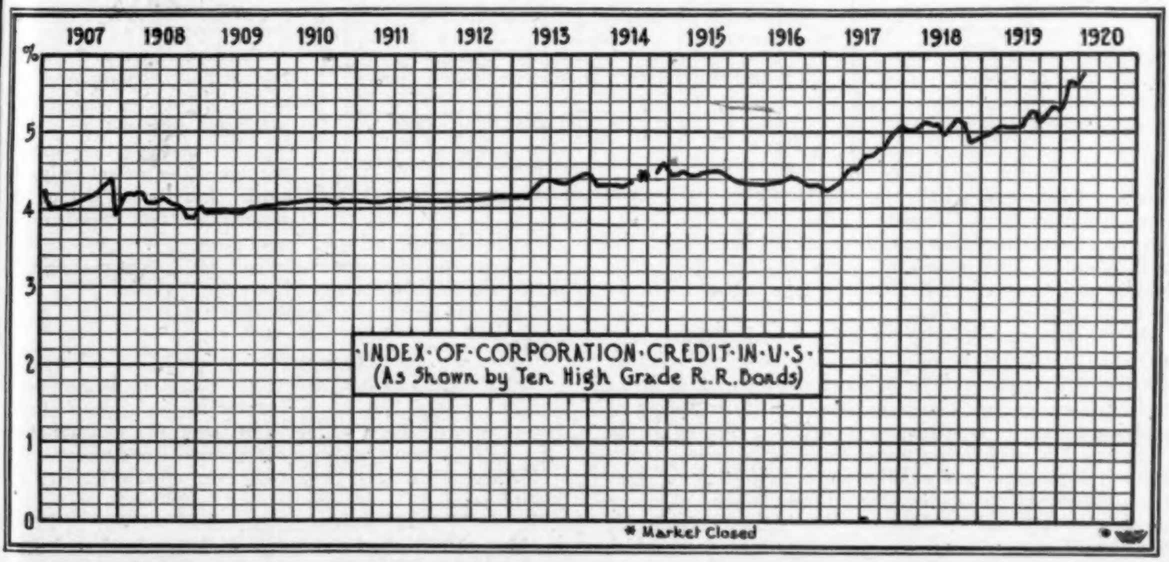
If our readers had not sold these 3,000,000 shares, some other group of insiders or outsiders or the two combined would have done so, because the market was ripe for a decline. And when it gets into that condition something always happens to start the ball rolling.

* * *

THE JAPANESE PANIC

ALTHOUGH the sharp break in stocks has attracted the most attention, the more fundamentally important developments of the fortnight have been in the field of money rates and bond prices. For that reason among others we are devoting an unusual amount of space in this issue to bonds and credit conditions.

As shown by the graph of average corporation credit

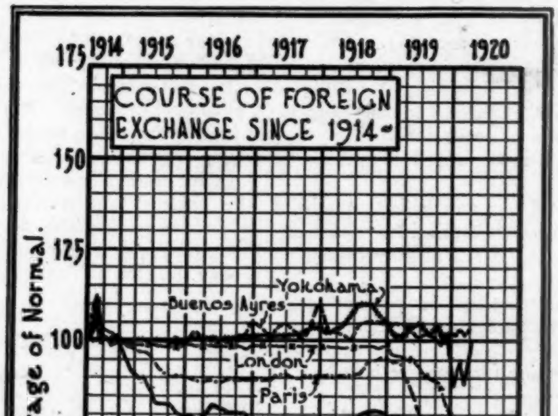


The above graph shows the changes in the interest return obtainable on high-grade investments. It is based on the yield (to maturity) of ten bonds which are so strongly secured that their price changes are due almost solely to changes in the general supply of capital as compared with the demand for capital. The graph is also an accurate index of the trend of high-grade bond prices reversed. That is, prices rise in proportion to the fall in interest yield, or fall in proportion to the rise in interest yield. Any average of bond prices (as distinguished from yields) is affected by the maturity dates of the bonds used. This element has been eliminated from the above graph in order to give an accurate reflection of the trend of the market for high-grade bonds.

which accompanies this department, the highest grade railroad bonds, on which payment of interest and principal may be said to be positively assured, are approaching a 6 per cent yield basis. This compares with a yield of a trifle over 4 per cent in the years preceding the war. For such high grade securities, that yield is nothing short of phenomenal.

This is merely a reflection of world-wide conditions. The Bank of England has raised its discount rate to 7 per cent, the Bank of France from 5 per cent to 6 per cent, our own Federal Reserve Banks from 5 per cent to 6 per cent. The rate on ordinary high grade commercial paper is 7 per cent at New York, and the Stock Exchange time money rate 8 per cent or higher.

It is true, as General DuPont says in this issue, that these high rates are to a great extent a reflection of high prices for everything else; but as we see it the whole situation is one that tends toward stock market and business liquidation. On the other hand, we do not expect a panic, nor any severe fall of commodity prices. There are no large stocks of surplus goods on hand. There are, however, some supplies of goods held speculatively by middlemen, which would be likely to come on the market once the general trend of commodity prices was seen to be downward.



The panic in Japan, which resulted in the closing of the stock, rice and silk exchanges, is not likely to have any direct effect on the United States except that it will reduce our exports to Japan. These have lately been considerable, yet they are not a sufficient part of our export trade to cause any serious dislocation. It is rather as a symptom of an almost world wide condition that the Japanese disturbance is significant.

* * *

SECURITY MARKETS CONGESTED

It is the congestion of our security markets by big new issues that is in large part responsible for the high rates now prevailing on investment capital. The most important item, of course, consists of undigested Liberty Bonds. The Federal Banks are still carrying in their rediscounts a billion and a half of war obligations, and although the rate of accommodation on this paper has been raised, the total shows but little reduction. The situation cannot be healthy until most of these bonds are taken out of the banks by their owners.

In the meantime millions of other securities have been placed on the market, many of them unfortunately of a highly speculative character. The public has preferred to invest its fresh earnings and savings in these new issues instead of applying the money to paying off its debts on Liberty Bonds.

Europe has been selling some American securities on this side. The premium on the dollar shown by foreign exchange rates—illustrated by another graph herewith—has of course encouraged these sales. We are also lending considerable money to Europe direct on commercial transactions, which throws an additional burden on our banks.

Besides all this, the banks have been called upon for a steadily growing total of loans to business men. Federal Bank rediscounts of such bills had risen, in the last statement, to $1,434,000,000—an astonishing increase. That it has been in part rendered necessary by the decreasing profits of business men is plainly shown by the steady decline in bank deposits.

* * *

BARGAINS IN BONDS

THIS situation has brought bargain prices for bonds. Last week the Liberty 3rd 4¼s, for example, sold at 90. They mature in 1928, making the yield to maturity 5.8 per cent. The 2nd 4¼s, which may be, and probably will be, redeemed in 1927, sold below 85, making the yield to a redemption in 1927 about 6.8 per cent. Under these conditions it is not surprising that the railroads have trouble in selling their securities at yields which they can afford to pay.

It is highly probable that the year 1920 offers bargains in the best bonds that will never be repeated. Every great war has been followed by a long, slow decline in the general level of commodity prices. That would mean a long, slow advance in bond prices. Even if the present after-war period should prove an exception, as some believe, in that commodity prices may be kept at a relatively high level by the tremendous quantities of paper money now outstanding, bond prices would nevertheless eventually recover. This would occur unless commodity prices continued to rise to still higher levels, which seems to us almost unthinkable.

It is idle for any one to attempt to locate the exact bottom prices for bonds. This is a case where the famous remark of one of the Rothschilds about having grown wealthy by never buying at the bottom, emphatically applies. What every investor should be doing is to put every possible penny into these wonderful bargains while they are available.

* * *

THE MARKET PROSPECT

THE following are some of the features indicating a turning point in the market:

Very high time money and little prospect of early relief.

Average investment stocks returning only slightly over 7 per cent while average yield of 30 new bond issues is 7.34.

After marking time around the top of the present rally, the market has broken out on the down side. This, together with stock distribution and gold importation, is a very bad sign.

In some cases underwriting syndicates are not placing their stocks, showing the scarcity of investment capital.

Little demand for investment but a great deal of speculation.

Commodity prices have stopped rising.

Labor conditions bad and show little or no improvement.

Much money tied up in commercial and manufacturing operations on account of inefficient labor and transportation, all of which means congestion and restriction of business.

General tendency of market has been upward for two and a third years.

Industrial stocks on the recent advance failed to exceed the high of 1919 and apparently are being distributed under cover of stock dividend declarations.

Foreign trade balance gradually falling off.

Demand for retail goods shows decrease in some lines.

We continue to believe that investors should stay long of money and sound bonds.

April 27, 1920.

The Work of a Bond House

Continuation of Chapter XI of the Series "How to Invest"—Difference Between Bankers and Brokers—The Syndicate—Various Classes of Investment Bankers—Selection of Securities

By **GEO. E. BARRETT**

ONE of the first and perhaps the most important steps for the individual investor is the establishing of banking connections. This does not mean the opening of an account at a savings bank or other commercial bank or trust company. It means the selection of a firm or corporation specializing in the purchase and sale of securities for investment. They are generally referred to as Investment Bankers or Bond Houses.

This is the age of specialists. The development in every line of endeavor has become so advanced and complex, that it is practically impossible for the human being to learn, comprehend and master any one branch or division thereof without specialization. We all know that when we are sick and simple home remedies have failed, it is best to call in a doctor—a specialist. When in legal difficulties we do not attempt to unfold the complexities of the law, but promptly call in a lawyer.

A development of recent years has been to consult the specialist regularly with a view to avoiding trouble, rather than to wait until it has developed. A large part of the time of a specialist in law is being occupied in giving advice to clients as to how to keep out of legal difficulties. A national society has recently been organized with ex-President William H. Taft at its head to enable the public to have regular periodic medical examinations with a view to avoiding sickness and bad health.

Just so the services of an investment banking house or bond house may be considered both preventative and remedial. The individual should consult investment specialists, firstly, to minimize the danger in purchasing securities, secondly, to discover by periodic examination and review, if investments previously made are making satisfactory progress and warrant continued confidence in their security, and thirdly, to receive the benefit of advice in the case of difficulties in connection with any investment matters.

Value of Dealing Through One House

It is the best policy for investors to deal with one large representative investment house. Such houses carry a full line of securities sufficient to take care of the requirements of all classes of individuals. This plan also has the advantage that the investment banking house becomes thoroughly acquainted with the individual's particular requirements. In this respect the investment banking house becomes the expert adviser of the individual in the same manner as a physician, and you may well know the advantages of consulting with one physician rather than "shopping about." In the latter case the investor must depend much more upon his own judgment as the banking house will not be in a position to give as good advice as if it had the opportunity of becoming more intimately acquainted with the individual's particular requirements through handling his entire investment affairs.

Before examining the work and services of a bond house, it would be well to distinguish between "bankers" and "brokers," as this has an important relation to the subject and much confusion exists in the minds of the public. Bankers in the sense which we are using the word, refers to investment bankers or dealers in investment securities as distinguished from those connected with savings banks, commercial banks or trust companies.

Investment bankers are principally concerned with the buying and selling of securities for their own accounts. In dealing with their customers in these securities, they do not charge a commission as the price at which they buy or sell includes the profit to them. The broker, on the other hand, merely executes orders for customers to buy or sell securities in the market and charges a commission for the service. Brokers are principally concerned with the purchase and sale of stocks. However, there are many brokers who also handle orders for the purchase and sale of investment securities.

Many investment bankers in addition to buying and selling securities for their own accounts on which they do not charge their customers any commission also execute orders for their customers in the open market for other securities, charging a commission for the services. The word "brokers" covers many other fields than the purchase and sale of stocks and bonds, as there are real estate brokers, cotton brokers, note brokers, etc.

Our discussion is concerned with the investment bankers or the bond houses. They may be divided into three principal groups, firstly, those known as the underwriting or wholesaling houses, secondly, those maintaining a national retailing organization and thirdly, the local distributing houses.

The underwriting or wholesaling houses purchase entire issues of securities usually in amounts from $1,000,000 to $100,000,000 and resell the entire issues to groups of banks and bankers throughout the country. In other words, the underwriting house contracts with a corporation to purchase securities at one price and arranges with a group of bankers and institutions to take over the entire amount purchased at a price which allows a profit to the underwriting house. In purchasing the securities from the corporation, it performs what is known as "underwriting an issue of securities" and in wholesaling them, it performs an operation known as "syndicating."

An Example of "Syndicating"

Without going into all the ramifications of syndicating, a simple illustration serves to explain the meaning of this operation. Take for example, an issue of $1,000,000 par value of bonds which has been underwritten by a banking house doing a wholesale business. An invitation is sent to possibly 50 or more investment bankers or institutions having a bond department, located in various sections where the security might be most readily marketable. This invitation states that the party to whom it is addressed is offered an opportunity to participate in a syndicate to purchase the $1,000,000 par value of securities at a certain price and to the extent of say $10,000 participation or interest in the syndicate. Some may be offered a larger interest in the syndicate. After enough invitations have been accepted so that the aggregate of the participations equals the amount to be syndicated, it is said that the syndicate has been formed.

Thereupon selling prices and terms are arranged, which are sufficiently above the price at which the syndicate purchases the securities to allow for necessary expenses and a reasonable profit. This will vary according to the type of security to be sold. Some securities may be sold with a difference of less than one point, 1%, or $1 on $100 between the price paid by the syndicate and the price to the public. On the other hand, the difference may be 10%, or 10 points, or $10 on $100 or more between these prices.

Sales are then made by the various participants and reported to the house which formed the syndicate and which is generally known as the manager of the syndicate. When the entire issue has been sold and the profits calculated by the managers, the net profit is divided among the participants on the basis of their participation in the total amount originally syndicated and not on the basis of the amount which they have sold.

Naturally, some participants sell less and some more than the amount of their participation in the syndicate. This is generally provided for by allowing a commission to the participants on the amount they sell and these commissions are deducted from the profits of the syndicate before the net profits are distributed, so that a participant selling more than his participation receives some fair compensation.

There are so many ramifications to the underwriting and syndicating operations that the reader must understand the reference herein contained to the subject is merely to give a general definition for the words.

The second general class of investment bankers consists of the distributing houses, having a national organization. Some of these houses are so large that they buy the securities directly from the corporation which issues them and not through the intermediary of an underwriting house or a syndicating house. They sell entire

issues through their own organizations directly to the public.

The third class consists of the local investment banking houses or dealers. They do not have a placing power large enough to warrant purchasing securities directly from the corporation except when the entire issue is well known locally and may therefore be quickly resold. Generally the local distributing house must depend upon the wholesale houses to obtain a supply of securities to offer to its clients.

From the standpoint of the investor the underwriting or wholesaling house is of importance only in one particular. Experience has shown that some of the large underwriting houses when once they become identified with the financing of a corporation may be depended upon to take care of the financial requirements of that corporation even under most unfavorable conditions. They can often accomplish a financial operation such as the payment of a maturing issue of securities in the midst of panic times. There is no guarantee to the investor that this will be done but for example it is well known that the name of J. P. Morgan & Company as underwriters of an issue of securities is an advantage of value to the investor.

How Security Purchases Are Made

Before explaining the services which a banking house may render its customers it would be well to refer to the work of purchasing securities.

With the tremendous demand for capital throughout the country, the investment bankers or bond houses are continually beleaguered by representatives of corporations applying for financing. Securities of all kinds are suggested and propositions of all kinds and natures are brought to the attention of the bankers from the development of some invention to the legitimate demands of a city, railroad, public utility or industrial corporation.

The bankers purchasing entire issues of securities have organizations devoted to considering the financial projects submitted.

Experience shows that most of the propositions submitted for financing are not suitable to be offered to the investor. Most of the desirable issues of investment securities are obtained by the banking houses through long established connections. These are many kinds. Issues may be obtained through personal friendships or through large holdings of the corporation's securities, or close relations with others having an important part in the management or through banking affiliations, etc. The more desirable the security for investment, the more keenly is the issue sought by the investment banking houses. In other words the better the article and the more suitable it is to meet the general requirements of the public the greater the demand for it on the part of the bankers. The corporations thus favorably situated are enabled to make close bargains for the sale of their securities. From the very highest grade issues, securities offered range down to those which are absolutely worthless.

The examinations made by Investment Bankers before purchasing an issue of securities include a report by expert engineers, the study of a corporation's business by able business men and examinations of the books of account by expert accountants. Titles to the property, insurance matters, minutes of stockholders and directors meetings, contracts and indentures are examined by attorneys. All of these reports are reviewed, studied, criticized by the experts in the banking houses until finally a suitable plan of financing is evolved.

It is not only important that the security should be such as will protect the investor, but it must also be such as will appeal to the investing public at the time it is to be offered. This is natrrally somewhat of a forecast because financial conditions are continually changing. The public may want a thirty-year 5% mortgage bond today and it may want a one-year note within a week.

In addition to the interest of the investor, a banking house has a great responsibility toward the corporation as it is very important that the corporation should not only be able to take care of the obligations imposed upon it by a security, but it must not thereby injure its other avenues of income or means of raising capital. It is often found that the placing of a bond or short-term note by a corporation has ruined its credit with the banks from which it may at times need large, although temporary, advances of funds.

Through hasty preparation of financial plans, corporations have often contracted to do things which prevented the raising of capital at a later date and thereby ruined the business. Illustrations could be given to show that the omission of a provision which the investor may think a neglect upon the part of the banker to protect his interest is but a provision wisely made by the banker for the protection of the corporation and in the long run this can mean nothing more or less than the protection of the investor.

Preparation of Circulars

Having obtained an issue of securities, made the investigations and purchased the issue, it is necessary to prepare the data to be used in the sale of the security to the public. The principal document used in this connection is the offering circular, which has been described in a separate chapter "How to Read a Circular." The retailing of the security is handled about as follows: At a certain time arranged in advance, all the salesmen connected with the distributing houses whether national or local organizations which by previous arrangements are authorized to offer the issue to the public begin a canvass by telephone and personal calls on the individual or institutional clients.

The salesman's duty is to keep in touch with his clients and endeavor to be informed at all times as to what clients are in the market for investments. The salesman is familiar with the individual client's requirements and knows to just which customers the particular issue should appeal. Successful salesmen are very careful in this matter as it means success to the salesman to retain the confidence of his customers. It is through their repeat orders from an established clientele that a salesman of investment securities maintains a large enough placing power to entitle him to a position in the selling organization of a reputable banking house. After having called upon all established customers, the salesman then offers the securities to new prospects, with the hope of obtaining new customers. An entire issue of securities is usually sold in this manner.

Circulars describing the issue are mailed to a large number of customers and prospects and advertisements are inserted in the papers. Experience has shown, however, that the very high grade issues are easily sold without the aid of much circularizing or advertising. Unsound, "wild cat" securities have been advertised and circularized so much, using the most vivid illustrations, exaggerated statements and large type that the regulation, honest, descriptive circular or advertisement issued by a reliable banking house receives little response. The heavy expense of the circularizing and advertising carried on by investment bankers or bond houses throughout the country does not, as a rule, bring direct sales sufficient to pay the expense and it is considered more or less missionary work of general publicity value.

(To be continued.)

A RARE CHANCE TO SALVAGE LOSSES IN RAILROAD STOCKS

(Continued from page 974)

ing a share of Gulf common. Two shares of Erie second preferred will buy one share of Gulf preferred. Two shares of Erie first preferred will buy four shares of Gulf common or one share each of Gulf preferred and common.

Missouri, Kansas & Texas common can be switched into Gulf common in the ratio of 100 shares of the former to 75 of the latter. Two shares of Katy preferred will buy one of Gulf preferred or three of Gulf common.

As in the case of Denver & Rio Grande, I cannot urge too strongly that holders of Texas & Pacific switch every share into one of Gulf preferred and one of common.

Western Maryland common and Wheeling & Lake Erie common can be switched into Gulf common without loss, while two shares of the preferred of either will buy one share of Gulf preferred.

It should be understood that the foregoing roads have not been selected at random. They are either bad as traffic enterprises or they are carrying too much debt. When you see systems like Pennsylvania and New York Central paying their bankers 7½% for ten-year money, you can conclude that the last chance to get out of the debt-ridden roads has nearly arrived. In escaping from one toppling cliff of debt, make sure that you don't run under another! I have selected Gulf, Mobile & Northern as a recommendation partly because it owes nothing.

THE CALL MONEY RATE

The call money rate attracts a good deal of attention on the Stock Exchange, where about half of the loans are usually made on call. In the past the call rate has sometimes fluctuated wildly, but the Federal Bank system now modifies such extreme changes. As a rule the call rate and the rates for time money are not as good an index of the general situation as the commercial paper rate, which reflects business conditions more directly.

Pere Marquette
C. C. C. & St. L.

Western Pacific

Investment Features of Bonds of Near-Dividend Railroads

Certain Advantages to Be Derived from Purchase of Fixed-Income Securities of Corporations Whose Stocks Appear in Line for Disbursements

***By* G. H. STEVENS**

WHATEVER opinion one may hold about the payment of dividends in their effect on the intrinsic value of bonds, there can be no question about their effect on the market position of bonds, and changes in market position carry opportunities of profit. For market considerations, it is obviously better to buy non-legal bonds that have a chance of becoming legal than to buy legal bonds with a chance of becoming non-legal, and there are quite a number of railroad bonds in each position today. With this idea in view, I have combed the railroad list and found three properties that seem to me to be in the most favorable situation for passing from the non-dividend to the dividend class.

The laws of different states vary widely in establishing the legality of bonds for savings banks, insurance companies and trust funds. Generally speaking, the laws of the New England States and New York State, where there is the greatest accumulation of investment funds, are the most rigid. In many of the Southern and Western States, where money is normally high, the laws favor the bonds of local corporations, partly in order to make borrowing easy for home enterprises, and a bond legal for California savings banks might not be legal for savings banks in any other state.

An active home market, however, would have little influence on New York prices and it is necessary, therefore, that a bond should be legal in states that are important as investment factors before its general market position can be greatly benefited. One of the important requirements in New York and other investment states is an unbroken dividend record, varying in rate, period of time, etc., and depending on the nature of the funds to be invested.

While the legal feature of a railroad bond may not be established in all states and for all kinds of funds for a number of years after dividends are initiated, nevertheless, the placing of the stock on a basis that held out reasonable hopes of permanency would immediately be reflected in the price of the bond.

THE MAGAZINE OF WALL STREET has previously pointed out that the average individual investor will do well to leave the legal bonds for the institutions that require legal bonds. Thus, the recommendations made in this article, have in view the sale of the bonds at a profit, after the demands of institutions seeking legal issues have forced an advance in price.

Kind of Bonds to Buy

In selecting issues from among the rail bonds, it was necessary to make several wholesale eliminations, and for this purpose the properties fell naturally into four classes—roads paying dividends and likely to continue as dividend-payers, roads paying dividends but likely to suspend such payments, non-dividend roads that are likely to continue in their present position, and non-dividend roads that are likely to join the dividend payers.

Obviously, the second and third classes were discarded. The first was also discarded, because the bonds of that class, while good, do not offer the same chance for profit as those of the fourth class.

It may interest you to know what factors worked toward the selection of Cleveland, Cincinnati, Chicago & St. Louis, Pere Marquette and Western Pacific from among a hundred or more properties. In the first place, all three are paying preferred dividends and thus are nearer common dividends than roads paying nothing on their senior issue. Furthermore, all three made excellent showings during Federal operation.

MARKET POSITION OF BONDS OF NEAR-DIVIDEND RAILS.

Bond	High 1920	Low 1920	Last	Rate	Period	Yield
Cleve, Cin, Chi & St. L. gen..........	70	63	66½	4%	73 years	6.00%
Pere Marquette first	87½	81¾	82	5	36	6.25
Western Pacific first	86½	80	81½	5	26	6.45

At this point the factors diverge, because "Big Four" was selected for reasons that do not operate in the case of Pere Marquette and Western Pacific. From 1902 to 1907 inclusive Big Four paid at the rate of 4% on its common stock. During the industrial slump following the panic of 1907, the road, which operates in industrial territory, paid varying but lower rates. Big Four was well along on its recovery when the Dayton flood in 1913 destroyed millions of dollars' worth of its property. There is no doubt that the situation was rendered critical for the company, and the fact that it was able to save itself by the suspension of dividends on the preferred stock until the last half of 1916 shows that its financial structure was sound. It is doubtful whether a railroad ever incurred a greater ratio of loss from a single disaster than Big Four suffered from this flood. From the suspension of preferred dividends in 1913 until their resumption in 1916, all earnings after charges went into the property. Even after dividends were resumed on the senior issue, the surplus earnings for restoration and betterment of the property were large. In 1916 the company earned $15 a share on the common and in 1917 it earned $10.

Although Big Four accepted approximately its standard return as Federal rental, the compensation was very inadequate in the case of this property, for the reason that the three-year test-period included 18 months during which the company was recovering from the effects of the flood. If Big Four is able to save for the common stock even half as much as would have been applicable to that issue under Federal operations, I don't see how the company can long delay the payment of a substantial dividend.

Railroad Reorganizations

There are two kinds of railroad reorganizations—the old and the new. It was formerly fashionable to throw a tottering company into receivership, let interest ride for a few years and then fund the accumulations through the issuance of new bonds. From this, developed the practice of exchanging fixed obligations for income bonds or preferred stock, but this arrangement usually left the common stock farther than ever from the possibility of dividends. It is now becoming popular for bondholders to take the mortgaged property and let the old stock evaporate.

Of all the railroad reorganizations in the last few years, those of Pere Marquette and Western Pacific were the most drastic—the latter even more so than the former.

In the case of Pere Marquette, $6,000,000 first mortgage fives, $11,200,000 prior preference stock and $25,675,400 common stock were sold to the purchasing syndicate for $16,000,000 cash, but several of the old bond issues were exchanged for new first mortgage fives and fours in varying ratios on account of both principal and accumulations of unpaid interest. On the other hand, Western Pacific, a $75,000,000 railroad, emerged from the reorganization free from debt.

As a part of the reorganization plan of Western Pacific, the old bondholders who became the new stockholders, underwrote $20,000,000 first mortgage 5% bonds at 90. This underwriting provided the new company with $18,000,000 in cash.

Since the reorganization Western Pacific, while investing about $10,000,000 in the property for feeders and equipment, has maintained about the same cash position through the seizure and sale of Denver & Rio Grande assets, while Pere

Marquette has had no similar source from which to offset its investments. However, its requirements should not be large.

Pere Marquette, on the other hand, has made a better operating showing than Western Pacific. There is room for an honest difference of opinion as to whether Pere Marquette common or Western Pacific common will first reach a dividend basis, because this is a question that hinges on future traffic and operating conditions, all more or less uncertain. Pere Marquette operates in a highly industrialized territory that has had a marvelous development in the last few years through the growth in the motor industry. The bulk of Western Pacific's traffic consists of the products of the soil, forests and mines. Pere Marquette may be expected to do better in periods of great industrial activity, but perhaps not better than Western Pacific measured over a long period.

Pending the time when both Pere Marquette and Western Pacific common are on a dividend basis, there is little doubt that the bonds of the latter offer the greater security.

The common stocks of both roads cover equities formerly covered by bonds, and I think there is no doubt that physical valuations will show at least $100 a share for both issues. To this it may be answered that there are many other properties, especially some of the New England roads, in the same position. This is true, but their operating performances have been bad and their prospects are not good. It is one thing to have $100 invested in real railroad property and quite another thing to make that $100 earn $6 year in and year out. Pere Marquette earned about $8 a share on its common on 1919 and Western Pacific at about the same rate during that part of the year when the property was operated independently and by its own Federal manager. Neither has started the year 1920 so well, Western Pacific doing rather better of the two. Both roads began operations for their own account on March 1. and this action certainly reflects the belief of the officials in their respective properties.

Big Four Bonds

Of its numerous issues, Cleveland, Cincinnati, Chicago & St. Louis general bonds of 1993 would probably profit most from placing the common stock on a dividend basis. The amount outstanding is the largest, they are the most active and the mortgage is closed except for $17,260,000 reserved to retire prior liens. Of the bonds outstanding, $28,579,000 are fours and $4,161,000 are fives. The unissued bonds cannot bear more than 5%.

The mortgage is secured by a direct or collateral lien on 1,765 miles of road and by leaseholds and contracts on 704 miles, divided as follows: First lien on 49 miles, second lien on 1,281 miles, second collateral lien on 125 miles and third lien on 310 miles. The bonds are subject to $35,888,500 prior liens and are outstanding at the rate of $18,550 a mile.

Pere Marquette first mortgage bonds of 1956 are outstanding in the amount of $21,976,000 fives and $8,479,000 fours, or a total of $30,455,000. The remainder up

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Industrial Bonds and Preferred Stocks

Things to Look Out For in Buying Industrial Bonds and Stocks —The Role of the Preferred Stock in Modern Financing —The Choice of an Industry

By ELI S. BLAIR

RECENT events have raised the yield level of the investment market as a whole. After prolonged resistance to the advancing trend of the cost of money, the Treasury has finally acknowledged the logic of facts and issued certificates of indebtedness carrying 5¼% interest; the Pennsylvania Railroad issued bonds on a 7% yield basis, and after long hesitation the Bank of England raised its interest from 6% to 7%, which meant an additional inducement for funds to come from this country to London if the money market in this country were too low in comparison.

With Liberty bonds on a 5.50 to 5.60% basis, it may reasonably be said that no industrial security, bond or preferred stock, of no matter how high a degree, of security, should be considered if it yields less than 6%. A few of the best securities may be so closely held that their owners will not sacrifice them at prevailing prices, thus keeping up the nominal quotations. For the new investor, however, the considerations stated above apply, and he should remember that any bond whose yield is too low is in danger of a fall in market price which would bring its yield up to the current investment level.

At the same time it is true that many bonds which are well protected, both by assets and earnings, are selling out of line with other securities of their class. To a large extent this is true of industrial bonds which have accumulated large equities during the prosperity of the last few years and have thereby consolidated their position.

For the investor, long-term bonds are a better buy at the present time than short-term bonds or notes, even if the latter yield more with equally good security, because when the general decline in the level of investment yields comes, as most economists are agreed it must come, the long-term bonds will appreciate marketwise faster than those that have a shorter time to run, and this market difference will more than make up for the few points lost in yield over a period of time.

In deciding on the purchase of a long-term security, it is of particular importance to estimate the prospects of the industry in which the company under consideration is engaged. Companies whose war-time prosperity has enabled them to make a good showing for the last few years, which may not be continued with readjustment conditions, should be avoided in favor of those whose record has been good even in time of trouble.

Generally speaking, the larger the amount of stock, as valued in the open market, or other bonds following an investment security, the safer the investment looks, because the price of the stock is apt to give a fair line on the actual values and earnings protecting the bonds. The relative proportion of stocks to bonds is also important in another way, as it indicates the proportionate splitting up of income, and the smaller the proportion of bonds the greater number of times interest charges will be earned.

Preferred stocks have come into popularity during the last few years, for their income is not subject to normal Federal income taxes because the company which pays the dividends has already paid the tax. Accordingly, a given amount received by a large investor as income from preferred stocks is subject to less deductions than the same amount received from bonds, and hence is preferable. At the same time, many industrial corporations have so fortified their preferred stocks as to make them as safe as the ordinary bond, and safer than some, thus adding to their attractiveness.

Because of these conditions, the high grade preferred stock, especially when it has the prestige of a powerful corporation behind it, is coming to be considered by conservative investors without the speculative tinge that formerly was attached to it. Hence we include in the present list

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BONDS.

Corporation.	Rate.	Maturity.	Price.	Yield.	Aver. Times Earned, 3 Yrs.
General Electric deb.	3½	1942	67	6.22	53.79
Bethlehem Stl. 1st & Ref.	5	1942	83	6.48	3.58
U. S. Rubber 1st & Ref. "A".	5	1947	81	6.50	5.00
Central Leather	5	1925	93	6.65	7.38
Union Bag & Paper 1st.	5	1930	85	7.17	9.80
Lackawanna Stl. 1st.	5	1923	93	7.55	7.28
Va.-Car. Chem. 1st.	5	1923	93	7.55	4.77
Com.-Tab.-Rec.	6	1941	83	7.65	6.14
Wilson & Co. conv.	6	1928	90	7.70	8.75
U. S. Realty & Imp. deb.	5	1924	82	10.40	2.54

PREFERRED STOCKS.

Corporation.	Rate.	Maturity.	Price.	Yield.	Aver. Times Earned, 3 Yrs.
Amer. Agricultural cum.	6	non-callable	90	6.67	3.58
Amer. Sumatra cum.	7	callable	100	7.00	12.26
Beth. Steel cum. conv.	8	callable	111	7.20	9.92
Amer. Steel Foundries cum.	7	callable	91	7.29	5.39
Kelly-Springfield cum.	8	callable	101	7.98	6.00
International Paper cum.	6	non-callable	75.	8.00	4.70
Pierce-Arrow cum.	8	callable	100	8.00	8.75
Worthington Pump "A" cum.	7	callable	87	8.05	9.86
Willys-Overland cum.	7	callable	85	8.24	8.29
Willys Corp.	8	callable	93	8.60	erg. 1919

The New England Textile Industry

Reasons for New England's Supremacy—A Typical Example—The Northrup Loom—Strong Position of the Industry's Securities

By **JOSEPH F. PRESTON**

IN these times when we read so much about the wonderful prosperity of the automobile industry, the fortunes made in oil, the amazing riches promised by promoters of silver mines, we are apt to forget the old time industries which for years have been plugging along at the old stand.

Up in New England the textile mills are at the zenith of great prosperity. In the past three or four years demand for their products has been of unprecedented volume, profits have been piling up, are still accumulating, and the fortunate holders of textile stocks are looking forward with confidence to melons in the shape of stock dividends and increased dividend disbursements.

A singular aspect of the cotton manufacturing industry in this country is that it is confined almost wholly to New England. There are few cotton mills in the middle and far west. There are many cotton mills in the south, but comparatively few are owned locally. They are largely New England owned and operated, and many of them are but branch factories of long established mills in the cotton manufacturing centers of New England.

Along the Blackstone

One can motor down the Blackstone River Valley in New England and cotton mill after mill will be found located along this stream of endless waterfalls, mills which have been established since 1825, 1842, 1850, as carved stones over the doors of many of them show. Long since these mills expanded and outgrew the water power which first served them, but they have become so firmly rooted to the spot where the founders established them, beside a water power, that they stick even after the water power is of no particular benefit to them.

Along the Merrimac River are some of the greatest cotton mills in the world. At Manchester, New Hampshire, are the great Amoskeag Mills, the largest single cotton mill corporation in the world, employing now as it has for many years more than 15,000 mill operatives. The water power derived from the Merrimac serves this big corporation but in small degree for the mills have been constantly growing, expanding, and for the most part are today operated by steam driven turbines, which in turn develop electric power.

Farther down the Merrimac are scores of cotton and woolen mills. At Lowell, Massachusetts, are famous cotton mills, mills which have been operating ever since the Civil War, and as the years have gone on have been growing and expanding. Still farther down the stream are the vast mills at Lawrence. The Merrimac River may be said to be the mill stream along which more cotton cloth and more woolen cloth is manufactured than elsewhere in this country, if not in the world.

At Fall River in Massachusetts are great cotton mills, among others the well known Borden mills, and here too is a big waterfall, but at New Bedford, a few miles from Fall River, water power is lacking, and here is manufactured more

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PICKING COTTON IN GEORGIA

While machines are sometimes used for harvesting, hand labor continues to be depended upon—an expert picking 200 pounds a day, but the average is less than 100 pounds for each picker

fine cotton yarn and fine cotton cloth than elsewhere in New England. Formerly New Bedford was noted as the headquarters of the whaling industry, but long since yarn and cloth manufacture far overshadowed the fitting out of whaling vessels. This quaint old city is famous among cotton manufacturers for the peculiar moisture of its air which makes it particularly favorable for the manufacture of cotton cloth of fine weaves and texture.

The underlying cause for New England supremacy in cotton and wool textile manufacture is that the spinning of yarn and the weaving of cloth is a craft, a trade, a cult, and for the most part the foremen, the overseers, the weavers, the loom fixers, etc., have been born and brought up in the shadow of the mills. When first out of school they start in as bobbin boy or some lowly position and gradually work up to a good position, where they stick for years and years. It is not at all unusual to find cotton mill operatives who have been working in one mill twenty, thirty, forty years or more. New England has the cotton and woolen mills, she always has had them and she probably always will, because she has the skilled labor to operate them.

Story of the Draper Corporation

The Draper Corporation, for example, manufacturing textile machinery, is one of those long established father-and-son concerns and has been doing business since away back in 1816, and is in a way typical of the New England textile industry. It is of interest to note details of its history. It is said that the male members of the Draper family have been "born with a cotton thread in their months." Certain it is that these Drapers know all there is to know about cotton, the machinery to spin it into yarn and weave it into cloth. Their grasp of the industry as a whole is complete, thorough, accurate and comprehensive.

The Draper plant is located at Hopedale, Massachusetts, one of the quaintest, cleanest, most homelike, most peaceful towns you can find anywhere. The buildings of the manufacturing establishment cover forty-two acres and have a floor area of approximately 1,400,000 square feet. The office building is a large structure and has the appearance of a public library. It is thoroughly modern and contains what is said to be the largest fire proof vault in existence, a large tomb like structure at the rear of the office building in which are stored valuable machinery patterns.

The present head of the Draper Corporation is George A. Draper. He is the son of the original George A. Draper, founder of the business. He is a man of remarkable business ability and is said to be one of the wealthiest men in New England.

The New England cotton manufacturing industry is wrapt up in family history. The Bordens, the Braytons, the Slades, the Whitmans and other families have been born and reared in the business and they today control the industry to a large degree.

When the original George A. Draper was gathered to his fathers, some thirty-five or forty years ago, the men who succeeded were his three sons, the present George A., and his brothers Eben and William Draper.

The cotton mill business is something that you don't pick up over night. Even if you are born with a cotton thread in your mouth it requires a long novitiate, years in fact, to get so you know the ex-

act number of twists a shred of cotton must be whirled about a spindle to get a certain standard number of thread. There are complicated tables that must be learned by heart so that they can be reeled off at a moment's notice. It is imperatively necessary that one should know textile machinery from A to Z, all about the different grades of cotton, and if one is to be a manufacturer of cotton machinery it is quite essential that acquaintance be formed with the family groups that own and operate the cotton mills. The brothers did all this and in due time were taken into the employ of the Draper Corporation, and after a fitting period of apprenticeship were admitted as partners of the concern.

The three brothers believed it was possible to greatly improve existing cotton machinery. For years the Drapers had controlled the manufacture of spindles by virtue of their patents. The brothers started in to improve spindles and carried this to a point where it did not seem possible to further progress. Then with carefully laid plans they started in to construct a loom that would be a revelation to the cotton manufacturers.

The Northrup Loom

The result of their efforts was the Northrup Loom, which was a gigantic step forward in loom construction. "Swifter than a weaver's shuttle" is an old simile to express speed, but the trouble with the old time weaver's shuttle was that when the thread was exhausted on the bobbin inside the shuttle the loom had to be stopped, the shuttle taken out, the bobbin taken out and a threaded bobbin inserted, and the weaver must suck the thread through the shuttle eye, put the shuttle back into the loom and set it going again.

All this consumed time. It stopped the movement of the machinery. It limited the number of looms that a weaver could handle. The new Northrup Loom automatically inserted bobbins in the shuttle, and threaded the shuttle. When the thread was all used up on a bobbin it was tossed out of the shuttle and a new threaded bobbin inserted, and all this took place with the loom going at full speed. The shuttle never missed a single jump across the warp.

Formerly when a warp thread broke on a loom the weaver had to watch carefully and stop the loom for if allowed to run with a warp thread broken it meant imperfect cloth. The new loom automatically stopped the moment a warp thread broke.

It was the nearest approach to an automatic loom that had ever been produced. At the time of its introduction it was an amazing, a seemingly impossible feat to accomplish. But the Northrup Loom was all that the Drapers claimed for it. It turned the trick and worked as near absolute perfection as it is possible for machinery to do.

Before the advent of the Northrup Loom one weaver managed to tend four or six looms, according to the weaver's skill, but with the introduction of this loom a weaver could easily tend thirty looms.

When Northrup Looms were first installed in cotton mills the weavers promptly went on strike. They said it was taking the bread and butter out of their mouths. But when the cotton mill owners came down to Hopedale and watched a battery of experimental looms in action, kicking out the used bobbins and inserting wound bobbins, automatically threading the shuttles, the looms automatically stopping with the breaking of a warp thread, it did not take them long to decide that they could save a lot of money by scrapping their old looms and installing new Northrup Looms.

It is estimated that now approximately 500,000 of these looms are operating in cotton mills, not only in this country but in England, India, China, Japan, France, Germany, in fact all over the world. The demand for Northrup looms is today greater than ever. Practically all of the textile machinery manufacturers are swamped with orders and are booked to capacity for months ahead. The Draper Corporation is booked to its utmost capacity and for months has been refusing orders except for 1921 delivery.

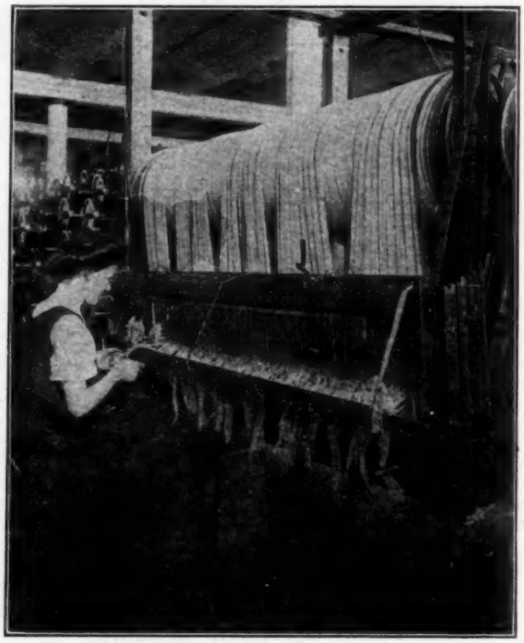


Photo Underwood & Underwood.

ASSOBAT MILLS OF AMERICAN WOOLEN CO.

New England's lead in textile manufacture is in large measure due to the fact that the operatives are born near the mills—the children of weavers following the craft of their parents

The wife of William Draper, who had seen much of diplomatic life, persuaded him to enter politics. He was elected to Congress for several terms, and President McKinley appointed him American Ambassador to Italy. In Rome the Drapers leased an ancient palace and entertained on a lavish scale. Their daughter has since married an Italian Prince. The youngest brother, Eben, developed a taste for politics, and for several successive terms was elected governor of Massachusetts.

The Draper Corporation is still progressing along the same old lines. It has increased its capital stock several times, and is now capitalized at $17,500,000. Dividends of 12% are paid on this capitalization. The stock is bought and sold in the outside market at Boston.

A Tremendous Revival

A really tremendous revival has come in the textile industry of New England as the result of the war and many of the cotton and woolen mills are experiencing unprecedented prosperity. This is not a mere flash in the pan but has been coming along in steady cumulative waves during the last three or four years. Every spindle that it is possible to set in motion in New England mills is spinning, and the orders for goods keep coming just as they have been coming along in ever increasing volume during and since the war. There seems to be no appreciable let up in the demand for manufactured goods, and there is little in sight to indicate lessened demand and lower prices. Cotton keeps up at high figures and this is reflected in higher prices for manufactured goods.

In England where more cotton is spun into thread and more cloth manufactured than in this country we read of great cotton mill combinations which they have taken place since the war. The war taught several valuable lessons, some of which are benefits to be derived from mobilization of forces, the concentration of efforts for the achieving of a common end. We hear nothing of contemplated consolidation of cotton mill interests in this country, but if the time is ripe and if there are benefits to be derived from consolidation of many mills under one management it is not unlikely that it will be brought about.

HOLDING COMPANY

This is the name given to a company which owns all or a majority of the stock of another company. The company need not be an operating company. That is, it may not be in any business of its own other than to hold the securities of other companies. In some cases, the officials of the holding company do not take any part in the management of the operating company. Sometimes the holding company is a means of evading the law, since a certain law in the United States known as the "Sherman Act" is designed to prevent big corporations from controlling too many companies or having too many interests. In fact, there are certain states which will not issue a charter to a purely holding company.

An example of the above is to be found in the American Smelters Securities Co. The stock of this company is almost entirely controlled by the American Smelting and Refining.

Reassembling the Old Mop System?

Recent Events Indicate Effort to Put Together Again Missouri Pacific, Denver & Rio Grande and Western Pacific—Position of Their Securities

By **DANA HYDE**

THE old Missouri Pacific System, it seems inevitable, will be put together again, if not for traffic or financial reasons, then as a part of the plan, which appears to have been adopted as a national policy, to consolidate all the railroads into stronger systems. In the case of this probable consolidation, as with others, if one could know just how the financial junctions were to be effected, there might be profit in the knowledge.

At present the reorganized Missouri Pacific-Iron Mountain, with its control of Texas & Pacific, the bankrupt Denver & Rio Grande and the reorganized Western Pacific are three independent roads exchanging traffic. Denver & Rio Grande is the natural link between the Missouri Pacific on the east and the Western Pacific on the west. There are unmistakable signs that the three roads will soon be under the ownership of two, and it is even possible that a way will be found to bring them under the ownership of one company.

The Missouri Pacific formerly controlled Denver & Rio Grande through stock ownership, and the subsidiary, in turn, controlled the old Western Pacific Railway through stock ownership. The reorganization of Western Pacific not only wiped out the stock, notes and second mortgage bonds, but resulted in a judgment against Denver & Rio Grande sufficient in size to displace the stock of that company. After Denver & Rio Grande was placed in the hands of a receiver and it became apparent that its stock, then without intrinsic value, would soon have no voting power, Missouri Pacific sold the bulk of its holdings of preferred and was probably prevented from selling the common only by lack of a market.

Actual control of Denver & Rio Grande rests temporarily, of course, with the receiver, stock control, while of no importance, is scattered, and Missouri Pacific and Western Pacific are maneuvering for permanent control. Unfortunately, these maneuvers are of a kind that leave little hope of profit for the outsider who would buy into Denver & Rio Grande, but this does not exhaust the possibilities.

Meantime, it is interesting to consider what the properties themselves have been doing. Missouri Pacific and Western Pacific were caught by Federal operation at a bad time, for both of them made a very poor showing in the test period compared with their respective results in the calendar year 1917. Missouri Pacific, however, accepted standard return as rental, while Western applied for additional compensation. On the other hand, the test years were fairly good ones for Denver & Rio Grande, which accepted standard return.

Reference to Table I will show that Denver & Rio Grande earned somewhat less than rental in each of 1917, 1918 and 1919. Missouri Pacific earned a great deal more than the equivalent of its rental in 1917, fell a little short in 1918 and made a wretched showing in 1919. Western Pacific earned considerably more than standard return in each of the three years. As for the three roads as a whole, they earned more than the equivalent of standard return in 1917, but fell short in 1918 and in 1919.

Striking Results in 1920

With regard to the striking results obtained in the first two months of 1920, some explanation of the method of computation is necessary. In the January statements of all roads, the Railroad Administration included in the monthly mail pay two years of back mail pay. The effect, of course, is to distort the statements for comparative purposes, but the difference between the mail pay for January, 1920, and January, 1919, may be assumed to be the approximate back pay. This difference has been eliminated from the figures in Table I.

TABLE I—NET OPERATING INCOME OF OLD MISSOURI PACIFIC SYSTEM COMPARED WITH FEDERAL RENTAL.

Road	1917	1918	1919	1920 Rate on Basis of 2 Months	Rental
Den. & Rio Grande..........	$7,395,552	$5,434,320	$6,033,375	$11,716,000	$8,319,377
Missouri Pacific	19,992,833	11,764,562	4,402,472	13,930,000	14,312,343
Western Pacific	3,016,231	2,575,300	3,546,456	5,102,000	*1,900,350
Total	$30,404,616	$19,774,182	$13,982,303	$30,748,000	$24,532,070

*Standard return, from which company has appealed.

To the net railway operating income for the two months, adjusted for back mail pay, the ratio of 11.485% is applied to obtain the indicated results for the year. The Railroad Administration, basing its calculations on the results of all class 1 roads in the test period, determined the traffic ratio of each month in the year, assigning 6.288% to January and 5.257% to February, or a total of 11.485% for the two months.

Denver & Rio Grande earned 140% of standard return, weighted for seasonal traffic, in the two months, Missouri Pacific 90%, Western Pacific 270% and the three roads as a whole 125%. This showing was made in a period when all the roads under Federal control reported an opertaing deficit, earning less than nothing on their rentals, after eliminating back mail pay.

Whatever form the consolidation may take, it is obvious that here is something worth putting together.

As far as Denver & Rio Grande is concerned, Missouri Pacific could hardly obtain control except by acquiring control of Western Pacific, but a plan might be developed for joint control. Western Pacific, as already stated, holds a judgment against Denver & Rio Grande sufficient to displace the stock, but this judgment is junior to Denver's bonds.

There has been in the minds of Western Pacific's bankers some doubt about the feasibility of selling Denver & Rio Grande under execution of the judgment subject to all of Denver's debt, because the property, which needs from $12,000,000 to $15,000,000, would be left in a bad position for borrowing money on its own credit, and Western Pacific would not be justified in using its credit to provide the needed money with all the obligations outstanding.

To meet this situation, negotiations were carried on with a view to obtaining consent of the holders of Denver & Rio Grande first and refunding fives and adjustment sevens to a plan whereby they should exchange their bonds for a lesser security, presumably preferred stock, Western Pacific taking common for its judgment. Denver & Rio Grande would then be sold under foreclosure of the first and refunding mortgage, and Western Pacific would buy bonds issued under a new mortgage.

With the collateral deposited for the adjustment sevens, the first and refunding fives are outstanding to the amount of about $40,000,000, while the unsatisfied part of the judgment amounts to about $34,000,000. Thus, if the two classes of stock were issued in the ratio of par for par, the preferred would control as against the common.

During the past few weeks there has been systematic accumulation of Denver & Rio Grande first and refunding fives. The bond, while showing unusual activity for a security of this class, has moved steadily upward from 38 to 49 and away from the rest of the list, demonstrating that the pressure has been on the buying side. It is reported, on what I believe to be good authority, that Kuhn, Loeb & Company have been buying the bonds, and presumably for account of Missouri Pacific. Certainly, the bonds are not in the banking class, and any bond confronted with the probability of compul-

sory conversion into a stock does not usually move in this direction.

Changed Conditions

While these bonds are evidently being acquired for their future voting value, it would be well for the outsider to consider whether recent operating results of Denver & Rio Grande do not cast a doubt on the necessity for any reorganization, as far as its bonds are concerned and except as the property is sold under execution of the judgment. While the result of two months is not conclusive, it should be pointed out that the road began to improve in the later months of 1919. Had the property been operated for company account in January and February, it would have earned, with other income as reported for 1918, more than twice its fixed charges.

Although it is doubtful whether control of Western Pacific could be purchased in the open market at a reasonable price, there has been systematic accumulation of the stocks recently, and it is barely possible that this accumulation has been going on in anticipation of a public offer to stockholders.

In greater part, the present stockholders of Western Pacific are the old first mortgage bondholders of the reorganized company, of whom there were about 5,000. These bonds were placed by E. H. Rollins & Sons, Blair & Company and William Salomon & Company. The two latter have just been merged as a new investment house, and they are reported on pretty good authority to have been the recent buyers of the stock. It may be a mere coincidence, but it is interesting to note in passing that the chairman of Missouri Pacific is one of the new directors of the consolidated investment house.

On account of his large holdings of various classes of securities in two of the roads, it is likely that any equitable plan for the merger of these properties meeting the approval of John D. Rockefeller would have a good start toward consummation. He owned originally $10,000,000 of the old Western Pacific Railway bonds, or 20% of the issue. Part of the bonds he sold and part he donated to the Rockefeller Foundation, but at the time of the reorganization the two interests owned about $7,500,000. As the bonds received 55% of preferred and 95% of common, he would own, on this basis, 41,250 shares of preferred out of a total of 275,000, and 71,250 shares of common out of a total of 475,000 shares. A recent list of the holders of Denver & Rio Grande first and refunding fives showed Mr. Rockefeller to be the largest single holder of the issue.

Recent events have tended to strengthen Western Pacific's hold on Denver & Rio Grande, to the obvious disadvantage of Missouri Pacific, unless it be concluded that Missouri Pacific is acquiring control of both by the purchase of securities. During Federal control, the attachments in favor of Western Pacific were held in abeyance, but the company is now preparing to sell the properties. These include assets of the Globe Express Company of nominal value and the assets of the Western Realty Company, including the properties of the Roberts Lumber Company, worth about $1,000,000. The complainant in the receivership has also been changed from an equipment company to Western Pacific.

Important Litigation

A decision in the litigation pending against the Guaranty Trust Company and the Bankers Trust Company in connection with the disputed secondary lien on Utah Fuel stock will have an important bearing one way or the other on the position of Denver & Rio Grande first and refunding fives in the negotiations leading up to a plan of reorganization. The fuel stock, worth about $12,000,000, is pledged for $6,000,000 under the Rio Grande Western first consolidated fours. The Bankers Trust Company, as trustee, claims a second lien in behalf of the first and refunding fives. The decision will affect to the amount of about $6,000,000 the security behind this issue.

Considering first the position of Denver & Rio Grande securities in the impending events, it seems to me that their future is the most uncertain. The first and refunding fives cannot be recommended as an investment. If they face compulsory conversion into a stock, it should be remembered that they are worth more to another road for traffic reasons than to an outsider. Both classes of Denver stock are in a hopeless position, and I can only repeat the urgent advice previously given to sell them at any price.

As between Western Pacific and Missouri Pacific stocks, much depends on whether Denver & Rio Grande goes to Western Pacific under execution of the judgment or to Missouri Pacific under foreclosure of the junior mortgage. Meantime, there is enough in the property of Western Pacific after eliminating its interest in Denver & Rio Grande to justify higher prices for its stocks.

Western Pacific's ratio of debt is much lower than Missouri Pacific's, and its cash position is much stronger. On the other hand, Missouri Pacific, as the larger system, probably possesses a greater degree of stability. Both roads did well in 1917 and current earnings show both of them doing well at present. Readers of THE MAGAZINE OF WALL STREET already have before them the recommendation to buy Western Pacific stocks. If one prefers the position of the Missouri Pacific, it should be pointed out that the preferred stock, with 10% accumulated dividends on June 30, next, is selling too low for the common. Den. & Rio Grande, vol. 25, p. 707; Mop., p. 761; West. Pac., p. 761.

Eisemann Magneto Reports to Its Employes

THE following is a condensation of the financial report of the Eisemann Magneto Corporation for the last six months of 1919, addressed to its wage-earners as partners in its business:

"The report for the last six months of 1919 has just been made up. Let's look it over.

"In those six months we sold $1,665,681 worth of magnetos and other manufactured goods.

"To make these goods cost us, mainly for labor and materials, $1,219,412. That leaves what is called a 'manufacturing profit' of $446,268. But there are a lot of charges to come out of that sum before you get the actual profit.

"For instance, it cost $166,734 to sell the $1,665,681 worth of goods. Then there was administrative expense—management —amounting to $38,320. Deducting these two amounts leaves a 'selling profit' of $241,213. The goods have been made, the cost of making them and selling them and bossing the job has been taken out. The excess of miscellaneous expenses over receipts was $3,119, which reduces the 'net income from operations' to $238,093.

"Our $446,268 has shrunk considerably, but there is still more to come out of it—taxes, which will amount to about $88,500 for the six months. Deducting this cuts manufacturing profit down to $149,593.

"But we haven't yet paid for the use of the $2,920,125 capital. The dividends on this for six months are $95,103. Dividends are rental for capital just as the money we pay to the Bush Terminal is rental for space. For every dollar we use in the business we pay 6 or 7 cents a year. The total to be paid out in this way for the use of other people's money is $190,207 a year.

"After paying all these bills—cost of labor and material, selling and management expenses, taxes, and for the use of the stockholder's money—we have left a small surplus for a rainy day.

"No concern is on a safe basis any more than any individual is, unless there is something left over after the bills are paid.

"Some of you may ask why it is necessary to have all that money in the business and therefore to be obliged to pay dividends on it. A few items will clear that up. On December 31 our inventories added up to $1,490,383. We had that much in completed and uncompleted goods and supplies to keep the business going. Besides that, we had plant, machinery, etc., valued at $775,944. Another item was, 'Accounts receivable,' $502,926; that is, there was more than one-half a million dollars tied up in goods delivered, but not paid for. Add these items together and you will soon see what the capital is used for and why we need it.

"And speaking of capital, here is something to think about; the purchasing power of a dollar has shrunk a lot—some people say that in purchasing power the dollar is worth only 50 cents as compared to its purchasing power before the war. The investor's dollar that he gets as an Eisemann Corporation stockholder has shrunk just as much as your dollar has shrunk.

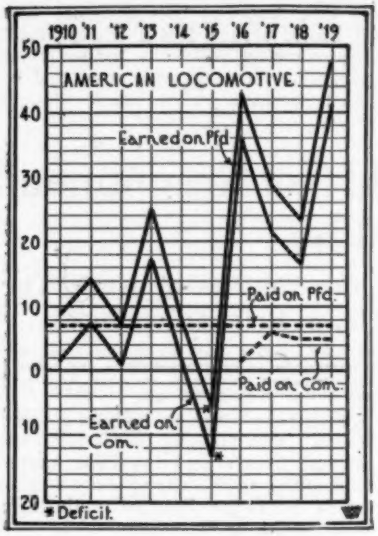
"Wages have been raised, almost doubled, but no one suggests doubling the investor's income. For one thing there isn't profit enough to do it, after the wage bill, which always comes first, has been paid. I don't say that this is not as it should be, but I do know this, that the investor is not going to be long content with before-the-war wages any more than you would be."

American Locomotive Makes the Grade

Heavy Demand for Equipment—Large Foreign and Domestic Inquiries — Strong Financial Position—Bright Outlook for Junior Issue

By **MAX WINKLER, Ph.D.**

UPON the return of the railroads to private ownership and operation, there set in an almost unprecedented demand for rolling stock and



railroad equipment. The long deferred question of replacing worn out rolling stock and providing additional equipment to meet the country's urgent needs, began receiving the attention due it. Now almost all equipment companies are literally deluged with orders, and the entire equipment industry is on the threshold of one of its most profitable business eras.

Due to the vast number of inquiries and orders in substantial quantity, from domestic and foreign sources, officials of equipment companies anticipate that 1920 will be the biggest year in their history. Europe requires an enormous amount of rolling stock, but the more conservative organizations hesitate to accept any foreign business until the question of how to finance it is definitely settled, since many of the inquiries require long terms of payment extending from five to ten years.

According to Andrew Fletcher, President of the American Locomotive Company, a broad gauge policy of credits to the foreign countries will have to be granted them in rebuilding their railroad facilities so vitally necessary to their industrial growth and prosperity. One solution of the problem, in his opinion, would be obtained by forming a combination of railroad equipment companies and allied industries of this country together with banking interests, under the form of a Foreign Railway Equipment Finance Corporation, rather than by individual action by any railroad equipment company. Says Mr. Fletcher: "Such combination would be permissible under the Clayton and Webb-Pomerene Laws, and would afford an imperative relief to the foreign countries requiring our help in rehabilitating their transportation systems. The long delay in the settlement of peace is in a measure preventing the formulation of definite plans and action tending toward the re-establishment of normal business relations with Europe and other foreign countries."

Substantial business is expected from the Canadian roads. The Grand Trunk line is about to enter the market shortly with very large orders. The needs of the Canadian National Railways are far from being met by the amount of business placed so far. As regards lines in our own country, the business which has been placed is only a very small proportion of the estimated needs.

In view of the rundown conditions of their equipment, due to the emergencies of the war and failure of the Railroad Administration to keep rolling stock up to the standard maintained by the private operators, officials estimate the requirements of the United States carriers at hundreds of thousands of cars, and estimates made in other sources conversant with the railroad situation have served to confirm these figures.

Receives Large Orders

Among the equipment companies which will benefit most by more active equipment buying, American Locomotive occupies an important position. Orders placed with the company run into the millions. The exact amount cannot be stated with any degree of accuracy since American Locomotive does not make public its new business, but it is understood that inquiries are unusually heavy, both from domestic and foreign sources. The company is working at top speed to fill orders which it has already received, and inquiries regarding tentative contracts are coming in at such a rate that a tremendous over-demand is expected almost daily.

Among the more important orders placed with the company, are one by the Canadian National Railways for 67 engines, 25 of which are 160-ton Santa Fes, 32 130-ton Pacifics, and the remaining 10 35-ton Pacifics; one by Northern Pacific for 29 engines; 15 engines for Louisville & Nashville; 5 82-ton switchers for Missouri Pacific; 6 144-ton Pacifics for Virginian Railway; 2 110-ton switchers for Ann Arbor; 1 60-ton switcher for the Eastern Jordan & Southern Railway; 3 87-ton Mikados for the Oregon Lumber Company's 2 Mallet locomotives for United Verde Copper; 2 107-ton switchers for the Akron, Canton & Youngstown Railway; 2 64-ton Mikados for the Sumpter Valley Railroad; 1 64-ton switcher for the Riverside Portland Cement Company; 25 Mikados and 5 switching engines for the Minneapolis, St. Paul & S. S. Marie; 10 Pacifics and 2 switching engines for the Florida Eastern Coast Railway; 6 Pacifics for the Delaware, Lackawanna & Western; 15 102-ton 6-wheel switchers for the Terminal Railroad Association of St. Louis, which will be the largest switchers ever built; and 2 Consolidated and 2 switchers for the Toledo Terminal Association. Foreign orders include 15 Pacifics for the Madrid, Saragossa & Alicate Railroad, Spain; and 20 Mikados for the Tientsin-Pukow Railroad, China. Final arrangements have not been made yet for an order for 100 new locomotives for the Republic of Jugoslavia, payment for which to be started three years after the signing of the contract, during which time the state is not pay any interest. Other foreign orders include 6 Mikados for Argentina; 1 4-wheel switching locomotive for Cuba; 7 Consolidated engines for the Shantung Railway, China; 8 for

TABLE I.—CONDENSED BALANCE SHEET OF AMERICAN LOCOMOTIVE
(As of December 31).

	1919	1918	Inc. in %
Property, less accrued amortization and depreciation	$42,421,289	$44,337,385	4.4*
Investments**	33,651,253	4,785,463	602.6
Cash	3,177,671	4,407,124	5.2*
Accounts and bills receivable	7,470,561	24,539,314	69.4*
Other assets	6,455,086	11,851,400	45.0*
Total assets	$93,175,800	$96,220,606	3.3
Preferred stock (250,000 shares of $100 par)	$25,000,000	$25,000,000	..
Common stock (250,000 shares of $100 par)	25,000,000	25,000,000	..
Accounts and bills payable	15,932,015	17,436,610	14.0*
Reserves	4,450,541	2,360,621	91.3
Surplus	22,793,244	20,423,975	11.6
Total liabilities	$93,175,800	$96,220,606	3.3

*Decrease.
**Includes "Sundry securities owned," U. S. Treasury Certificates, U. K. 3-year 5½s conv. and U. S. Liberty and Canadian Victory loan bonds.

TABLE II.—AMERICAN LOCO'S FINANCIAL RESULTS.
(In Dollars Per Share on Common.)

Year ended June 30	Earnings	Surplus for Year*	Working Capital
1914	1.30	1.30	40.81
1915	1.03†	12.97†	37.06
1916	36.08	24.08	85.98
1917	21.60	7.81	99.88
1918	16.04	7.04	105.20
1919	41.05	16.05	142.03
1919‡	6.81	3.81	142.74

*After all charges, including depreciation, United States and Canadian income and excess profit taxes, dividends on both issues, and special reserve funds.
†Deficit.
‡July-December.

the Sorocabana Railways, Brazil; and 2 Prairies and 4 engines for the Imperial Taiwan Railway, Japan. In addition, the company is receiving heavy inquiries from Belgium (which country had placed an order for 75 engines early in 1919), South Russia, Argentina, Peru, Chile and the other South American Republics. A substantial foreign order is understood to have been taken from the company by a German equipment maker which, in view of the foreign exchange situation could, accept one-fourth the amount which American Locomotive had asked. The company is also bidding for 65 locomotives to be built for Egypt.

Increase in Dividend Rate Justified

In view of the above, it appears that not only was the increase in the annual rate of dividends on the common stock from 5 to 6% justified, but a declaration of an extra dividend does not seem outside the realm of likelihood. The table presented herewith gives a good idea of the company's performance in the past 6 years. The outstanding feature is the exceptionally poor showing made in the earlier years. Hardly anything was earned in 1914, while in 1915 the company reported a deficit of $258,020.

The poor earnings during those years were chiefly the result of American Locomotive's lack of integration and especially its disastrous entrance into the automobile manufacturing business; had it not been for those losses in neighborhood of $5,000,000, the company would easily have earned $5 a share on its stock. With the abandonment of the automobile business, a remarkable change set in. In 1916, earnings rose from a deficit in the preceding year to a net profit available for the common stock, that is, after the payment of the required dividends on the preferred, of $9,019,429 or $36.08 a share. Earning capacity for that year was greatly helped by the company's highly profitable munition contracts for the Allied governments. In 1919, however, which was the most prosperous in the company's history, both from the standpoint of earnings and the volume of business, every dollar earned represented locomotive output, a great majority of which was for the United States. The comparatively poor earnings for the latter half of 1919 were caused chiefly by the small volume of business on hand, viz., $16,034,678, compared with $74,736,543 in the preceding year and $54,517,373 in 1917. But because of the company's unique position, earnings were sufficient to meet the dividend requirements. Whereas most industrials require an 80 to 95% basis of operation to produce a worthwhile earning power, American Locomotive can run as low as 16 to 18% of capacity and still break even. It can earn satisfactory dividends at 35%, and on a 60-75% basis, its earnings become sensational. This elasticity and capacity to earn on a low basis of operations is not exceeded by any other group of industrial companies.

Another point of great interest is the company's farsightedness. During the slump in the steel and copper industries, American Locomotive took advantage of its large holdings of cash (for which see accompanying table) to stock up with material at low prices. In this way the company obtained a considerable amount of copper to cover needs for some time ahead, at around 16c. a pound, and also heavy tonnage of pig iron on which it could realize several dollars a ton, if it cared to sell it at the market.

The company's lack of integration, marked in previous years, has also been overcome. The steady progress in this respect is clearly evidenced by the recent purchase of the Seaboard Plant of the Pennsylvania Seaboard Steel Corporation, and important additions thereto, involving expenditures of over $1,000,000. This plant is known as the Chester (Pa.) Works of the American Locomotive Company, and has a capacity of over 6,000 tons of finished castings a year, which is expected to be doubled after additions consisting almost entirely of moulding flour and drying oven space. The plant has three 25-ton acid open-hearth furnaces and will not need to have its melting capacity increased.

Outlook for Future

With larger orders on hand, with bright prospects for growing domestic and foreign demand, and with an unquestioned shortage and lack of effective motive power of almost all the railroads in this country and Canada, the outlook of American Locomotive is exceptionally bright, and persons in a position to know something of the inside of the financial affairs expect the earnings for the current year to top those of 1919. In view of this, American Loco common, which is quoted around $104 a share, yielding approximately 5.77% is gradually approaching the investment group and has good speculative possibilities. Vol. 25, p. 762.

Securities We Would Not Recommend and Why

Suggestions from Members of Our Staff as to Issues They Would Prefer to Avoid Under Present Conditions

NOTE—The brief comments included in this department represent frank personal opinions, which are impartial but of course not infallible. If any misstatements or exaggerations are noted by officials or others well informed as to the various companies mentioned, we shall be glad to have them brought to our attention so that further investigation may be made.

NEW ORLEANS, TEXAS & MEXICO RAILWAY.—A good many persons have been led to purchase stock of New Orleans, Texas & Mexico Railway by an operating showing which I believe to be accidental and temporary. This property was part of the old Frisco System and was detached with other subsidiaries in the course of the reorganization so that it is now an independent property. It was built to connect with the National Railways of Mexico, and it can never enjoy permanent prosperity without a large interchange of business at the border.

Unless New Orleans, Texas & Mexico be contemplated as a connection of the Mexican lines, it becomes an appendage rather than a system. Notwithstanding that the road has always failed to serve the purpose for which it was constructed, it made an excellent showing during the test period, from the fact that the Government was forced, in moving large numbers of troops and their supplies to and from the border, to make heavy use of the property. The result was to establish an abnormally large operating net during the three years ended June 30, 1917, and standard return, therefore, shows a substantial percentage on the stock. With disorders continuing along the border, it was necessary for the Government to transport troops and supplies during the period of Federal control, so that operating results in that period were also better than for the roads as a whole.

To assume that the property will continue in a prosperous state, it is necessary also to assume either that border warfare will continue indefinitely or that trade relations with Mexico will expand instantly the warfare ceases. This is a pretty thin thread from which to suspend a speculation. New Orleans, Texas & Mexico income fives are paying their interest and selling at 50. They are not so good as St. Louis-San Francisco adjustment sixes, which at 57, return a higher rate. They are not much better than 'Frisco income sixes, selling around 43. However they may compare with other railroad income bonds, they are certainly better than the stock, selling at 41 and paying nothing. I have no objection to the stock except its price. Its prospects are better than those of some other speculative rails; not so good as some others. But there are better rails selling lower.—R.

LINCOLN PRODUCTION COMPANY.—A fairly new stunt in oil stock promotion is that of the Lincoln Production Company, which "advertises" in the Oil Exchange Record to the extent of two pages out of a total of four. The news columns of the Record are given up to accounts of the great fortunes being made daily in the Louisiana oil fields, a geological analysis of the field, and stray news items about the bigger companies' success in drilling. This newspaper even has an editorial page, containing much sage advice about "investments" in oil stocks, and recounting the ancient tales of men who have made a fortune out of a shoestring.

The theory seems to be that to make tremendous fortunes all one has to do is to associate one's money in some way with an industry which has made great fortunes for somebody else. The editors of the paper do not seem to consider the grave social consequences of having a population composed exclusively of millionaires—the Street Cleaning Department is having diffi-

culty enough in getting employees as it is.

When we come to the Louisiana Production Co.'s advertising, certain doubts begin to arise. "Pre-market prices," 24% annual dividends commenced with the second well, bombastic assurance, glowing accounts of the officers, purple and scarlet adjectives—the whole paraphernalia of the convulsive press agent is to be found.

"Nothing but a miracle could prevent your realizing QUICK, LARGE PROFITS. . . 39 proven acres in the Caddo Field, which the most conservative operator in Louisiana would assure you, with every confidence, that we cannot fail to strike production on every well drilled upon this property. . . . The officers are giving their time and attention to the building of the LINCOLN PRODUCTION COMPANY into a LARGE, POWERFUL, PAYING OIL CONCERN, their hopes being to rival any of the present day independents." After bombarding the reader with sentences like these, the ad goes on to leave the victim prostrate with the grand orchestral crescendo of the following gem of the publicity man's art: "The LINCOLN PRODUCTION COMPANY offers you exactly the investment that you want, where ACTION is quickly taken with a UNITY OF HARMONY PARAMOUNT, giving you action through a throbbing management that pulsates back into the stockholders' advantage through the QUICK SURMOUNTING of obstacles proven by the obtaining of this vast leasehold that today would be practically impossible to duplicate in as favorable locations at many times the figure of the original purchase price."

Oil stock "investors," to use the pet inaccuracy of the writer of this magnificent effusion, who want something more substantial than "action taken with a unity of harmony paramount," or managements that "throb" when they are not "pulsating back into the stockholders' advantage," will probably remain unregenerate in their skepticism.—G.

NORTH STAR MINES COMPANY.—Owing to the marked depression in the company's stock due to continuous losses from the operations of its mines, the stock had better be let alone. Although production in 1919 showed a slight increase over that for the preceding year, viz. $1,181,346 against $1,046,797, this was more than offset by the steadily growing operating expenses. The entire net loss for the past year amounted to $134,329 compared with $221,736 in 1918; in other words, a change for the better seemed to have set in. But upon examining the state of affairs more carefully, we find the following situation, and it is solely upon this that I base my adverse opinion on the stock. General conditions continue unfavorable and the disturbed labor situation of the past year has not shown any appreciable improvement so far. Another important factor which must not be overlooked is the discontinuation of the Champion Mines owing to the constantly decreasing values, and which were not a negligible source of revenue. This will no doubt reduce the company's earning capacity considerably and a larger deficit may be looked for in the current year.

North Star Mines has had a long and rather successful record, but like most gold mining companies, has experienced marked operating disadvantages during the period of the war. Operating costs have increased as in other industries, but gold has not enjoyed any appreciable advance in price during and since the period of the war, as did most of the other metals.

In view of the present situation the stock is still highly speculative with no immediate good prospects, for which reason it might perhaps be more advisable to seek opportunities in the stocks of such companies as have better possibilities.—W.

PITTS-PORT OIL & GAS.—The literature that has come to hand on this issue offering stock at $7.50 a share, and stating that application is going to be made to list the stock on the N. Y. Curb gives us the opportunity to make some timely comment.

The record of the newer oil companies in the past two years has not been inspiring and for this no blame is attachable to the industry—which is one of the best. The trouble is that when new companies come to be capitalized, those who sit down to fix their values pay more regard to selling stock than attempting to arrive at reasonable estimates of (a) present worth, (b) future probable possibilities. Experience with new oil companies proves that it is a "hit-or-miss" proposition even with fairly well managed companies, and backed by people who really know something about the oil game.

How then do the smaller companies not so strongly backed or managed by real oil men fare in the long run? Where are the rosy hopes of Transcontinental from above 50 to below 20 a share? And, Transcontinental was and is well managed in spite of its market action and decline in earnings.

What has become of Continental Refining, Home Oil Refining, Boone Oil, Ertel Oil and a string of others whose shares sold at lofty quotations and whose prospects are now only mentioned in a stage whisper? These latter cases are decidedly not in the swindling class, and in every case successful business men have been associated with them.

What is wrong?

A hundred things are wrong. Few of the newer oil companies are capitalized reasonably. If they have production, this is usually worked to the limit in the values shown in the balance sheet. Oil is an exciting but an exacting game, and demands the highest sort of skill and application on the part of the best men trained in oil for a lifetime. How many companies possess this sort of back-log? Practically none of the smaller companies because they could not get the right type of oil managers to work for them, and they could not pay the salaries that people like Sinclair, White, Gillespie, Simms and others would demand: and even these distinguished oil men have been known to be rather super-optimistic at times, mistakes which are common to all humanity.

A subscriber of ours put money into Republic Oil & Refining and our opinion was far from enthusiastic about his investment. He insisted upon accurate reports from us. It couldn't be done for a subscription or for five hundred subscriptions. Oil experts are worth $100 a day and expenses and they may also make mistakes. One can best judge by experience, average results, the state of finances, capitalization, past performances, and the market for oil securities.

The public pays ten times more for each new field than it can ever be worth. Somebody has to lose $900 for each $100 that is made. The wild-eyed hopes of promoters, their fantastic comparisons with the old-timers may all come true, even as dreams come true. But, one cannot analyze or rate dreams.

This new company in the McKeesport field is sanguine about duplicating the finds of large gassers: and it may find them, and still wouldn't be an oil company. Companies like Continental Refining, Home Oil, Boone and the others have produced and refined and their stocks dropped from 20s to single dollars. It's the old story. Wall Street promotions are far removed from *oil companies.*

Pitts-Port O. & G.'s application to list on the N. Y. Curb doesn't mean a thing. The Curb might not accept the application, and even if it does its indorsement might mean that the authorities believe the promoters to be honest, etc., but still does not make the concern an oil company, nor even a near-oil company. The Curb Association does not god-father nor stand responsible for the many cripples that subsequently fade and die out in the street.—D

PLEASANTLY SURPRISED

In your last issue of the Magazine, you head one of your articles "Securities we would not recommend and why." I was surprised to see that heading, but agreeably so, as I am of the opinion that that section, if kept up will be of great assistance to ordinary investors, such as, I feel, most of your subscribers are. I am, at all events. Rules for detecting padded accounts, etc., are one thing but their application is quite another. Many of us may be acquainted with the rules but have not had the practice to make these rules of real assistance to us in particular cases. You are lending a helping hand where it is certainly needed.—J. K.

DISTRIBUTING THE EGGS

The diversification of investments may not seem important to the man of narrow means, say one who can buy only five bonds, yet he is the very one who should give the subject the most critical attention. The man of five thousand or even five hundred dollars should certainly divide his modest fortune into five parts and make a selection, or at least have a selection made for him if he is unable to do it himself, of such investments as will give him a substantial return with the greatest degree of safety.

Investors' Indicator of Public Utilities

The dividend rate given covers regular declared dividends on yearly basis. Extra or stock dividends are noted from time to time in the comment column on the right, which also summarizes important price-affecting factors. The yield on price is based on regular dividends and the last reported sale or bid price before going to press. A minus sign before earnings column indicates a deficit for the year in dollars per share.

INTENDING PURCHASERS should read all notes carefully and consult "Financial News and Comment." It is also well to consult our Inquiry Department.

Company	High 1916	Low to Date	Recent Price	Present Div. Rate	Yield on Recent Price	Dollars Earned Per Share 1915	1916	1917	1918	1919**	Earned Last Fiscal Yr. on Recent Price	
Amer. Lt. & Trac.......	384	175	175	$10†	5.7	24.6	25.6	20.9	14.4	13.1	7.5	Outlook continues bright.
Amer. Power & Lt.......	70	60	60	4	6.7	4.2	6.3	4.5	4.92	3.7	6.2	Little affected by poor conditions among public utility companies.
Amer. Pub. Util..........	47	20	20	0	0.0	3.8	5.3	7.1	—.06	—.04	...	Increase in rate will improve earnings.
Amer. Tel. & Tel........	124	90	96	8	8.3	9.0	9.6	9.6	9.9	10.0	10.4	Expects banner year in 1920.
Am. W. W. & El., 1st pfd.	..	47	47	7	14.9	9.5	10.1	12.9	10.7	8.0	17.0	Increase in rate not sufficient to offset high operating costs.
Bklyn. Edison	131	87	95	8	8.4	11.6	11.8	8.8	9.2	10.4	10.9	Business increasing steadily.
Bklyn. Rapid Transit.....	94	12	15	0	0.0	7.4	7.5	6.9	5.5	4.0	26.7	Traction situation improving.
Cities Service	488	100	385	6a	1.6	15.2	36.7	60.7	61.6	39.0	10.2	Record year credited for 1920.
Columb. Gas & Elec......	65	56	64	5	7.8	.7	2.3	5.8	6.4	6.5	10.2	Outlook for increased earnings good.
Com. Pr. Ry. & Lt......	65	20	20	0	0.0	7.4	8.8	5.7	—.03	7.2	36.0	Is increasing plants and equipments.
Cons. Gas of N. Y.......	145	76	88	7	8.0	9.2	8.9	7.1	5.7	4.1	4.7	Gas business poor; outlook favorable.
Detroit Edison	149	98	105	8	7.6	13.7	14.6	10.2	9.0	9.6	9.7	Stock an attractive investment.
Detroit Unit. Ry.........	128	70	102	8	7.8	15.6	23.0	14.5	9.0	10.8	10.5	Rate increase to help earnings.
Laclede Gas	104	40	40	0	0.0	9.2	11.2	8.5	4.5	1.3	3.3	Adversely affected by increased cost.
Mackay Co.	91	66	66	6	9.1	5.2	5.3	6.3	5.8	5.8	8.8	Gross business steadily growing.
Montana Pr.	115	41	69	3	4.4	3.7	8.5	7.0	5.9	3.4	4.9	Operations for current year to reflect better conditions.
North Amer. Co.........	76	39	52	5	9.6	6.0	7.2	6.0	5.3	8.5	5.0	Subsidiary develops large coal mine.
Ohio Cities Gas..........	144	31	44	4	9.1	1.9	2.3	6.1	7.5	5.3	12.0	Plans European business.
Pac. Gas & Elec..........	75	45	51	5	9.8	10.4	9.1	5.5	4.6	5.3	10.4	Treasury position very strong.
Pac. Tel. & Tel.........	44	17	39	0	0.0	0.5	1.2	1.7	2.0	2.2	5.6	Makes important improvements.
People's Gas Lt. & Coke..	118	35	38	0	0.0	8.3	5.3	—.9	—3.5	.16	.4	Unfavorably affected by municipal regulation.
Phila. Co.	47	21	38	3	7.9	4.4	5.1	6.2	4.2	6.5	17.1	Oil department in very favorable position.
Pub. Serv. Corp. N. J...	137	69	77	4b	5.2	7.8	10.6	7.9	6.1	1.8	2.3	Outlook shows improvements.
Rep. Ry. & Lt...........	39	17	17	0	0.0	2.9	3.5	5.8	0.02	1.6	9.4	Earnings improving.
So. Cal. Edison..........	89	73	86	7	8.1	6.7	8.6	8.3	7.5	9.2	10.7	Rate adjustment to offset high costs.
Stand. Gas & Elec., pfd..	43	39	39	4c	10.3	3.1	5.0	3.7	3.3	3.2	8.2	Is operating at top speed.
Third Ave. Ry...........	68	12	15	0	0.0	4.1	5.9	—10.0	—2.7	—4.3	...	Discontinues several unproductive lines.
Twin City Rapid Transit.	90	31	40	2.5	6.3	6.8	9.2	6.0	2.2	2.6	6.5	Increase of fare to help earnings.
Unitd. Lt. & Ry.........	55	23	27	4d	14.8	2.4	4.4	8.6	6.5	6.9	25.6	Upward tendency in earnings.
Unit. Ry. Inv., pfd......	39	10	24	0	0.0	3.0	3.5	4.4	3.3	3.2	13.3	To benefit by prosperity of subsidiaries.
Western Power, pfd......	71	67	69	6e	8.7	8.4	9.5	9.3	11.9	17.8	25.8	Prosperous year expected.
Western Union Teleg.....	105	76	86	7	8.1	10.1	13.5	14.4	11.6	10.7	12.4	Direct service to South America to be of great benefit.

** Where earnings have been reported.
† Stock extra 2½%.
a Paid 12% in stock in 1919, 3½% in 1920.
b Omitted last quarterly dividend in 1919.
c Paid 13% in common stock in 1919, 3% in 1920.
d January, 1920, dividend passed.
e Dividends accumulated 12½%.

Effect of the Strike on Railroads

Position of Five Chief Companies That Began Operations for Their Own Account on March 1

By **WILLIAM E. WORCESTER**

THERE is some difference of opinion whether the railroad strike, in its application to investors, is favorable or unfavorable for the properties as a whole, but there can be no doubt of its evil results for those that elected to operate for their own account as of March 1. Of the five chief roads now dependent on their own operating resources, I should think that Nickel Plate and Pere Marquette would suffer most from the strike, and Cotton Belt, Southern Railway and Western Pacific least.

The strike had been foreseen for a long time by many railway officials, who had observed among the employees a spirit of unrest fostered by high wages, lack of discipline and a feeling of security in their positions. Most of the officials took over the operation of their respective properties with a determination to re-establish discipline and at least a measure of efficiency. Most of them knew that this could not be accomplished without disturbances.

Whatever excuse may be brought forward by this or that class of employees, whether the demand be for higher wages or shorter hours, whether for the discharge of a disciplinarian in this place or that, the real reason for the strike, or series of strikes, was resentment at the return on March 1 of the necessity for doing a day's work. It was their ability to sense this state of mind on the part of many of their employees that warned the officials of what they might expect.

I know in particular of one creditor road whose directors were moved to accept their rental from March 1 to September 1 by their apprehension of the effects of a strike, and little weight was given by them to any other consideration. The financial effects, by the way, are cumulative, and even on the assumption that the strike is wholly broken in April the operating statements for several months thereafter are likely to carry the scars of the conflict.

The best indication of what may be expected of the roads that are independent of Government aid, excluding the effects of the strike, is furnished by the operating results in January and February. It is probable that by that time the effects of arbitrary routing practiced as a war measure had largely disappeared, and the results of those months should be more indicative of future possibilities than the results of preceding months, when the effects of artificial diversion of traffic would have distorted the statements. An exception should be made in the case of Pere Marquette, which was favored by a ruling of the Railroad Administration requiring the instant return of all automobile cars to Detroit and other motor shipping points. The withdrawal of this order left Pere Marquette short of cars to handle the traffic offered, with the result that many motor cars have been run out of manufacturing centres on their own wheels or on trucks. This is a condition that can be corrected only with an adequate supply of automobile cars. Pere Marquette's showing in January and February, therefore, cannot be regarded as significant.

TABLE I.—OPERATING RESULTS COMPARED WITH RENTAL.

Road	January	February	Two Months	Annual Rate	Annual Rental	% Earned
N. Y., Chi, St. L.	$309,343	$294,156	$603,499	$5,256,000	$1,615,655	323.5%
Pere Marquette	d198,279	d334,500	d532,779	....	3,748,196	....
St. L. S. W.	115,078	240,435	355,505	3,095,000	3,910,914	79.6
Southern Rwy.	249,970	536,144	786,114	6,845,000	18,595,980	36.8
Western Pacific	388,959	196,955	585,914	5,162,000	1,900,350	268.5

d Deficit.

Action Caused Surprise

While the action of Nickel Plate, Pere Marquette and Western Pacific in rejecting Federal rental for the six months to end August 31 was not unexpected, the same action on the part of Cotton Belt and Southern Railway occasioned a good deal of surprise, for the reason that the roads had not done very well in 1919.

Of these five properties, all except Pere Marquette continued in the first two months of 1920 their respective operating trends in 1919, Nickel Plate and Western Pacific earning a great deal more than their rentals, and Cotton Belt and Southern Railway less.

TABLE II.—MARCH RATIO OF STANDARD RETURN.

Roads	*Earnable	†Payable
N. Y. Chi. & St. L.	$100,791	$184,905
Pere Marquette	261,752	312,350
St. Louis Southwestern	293,992	325,909
Southern Rwy.	1,392,150	1,548,345
Western Pacific	142,849	158,362

*7.517%. †8.333%.

In Table I the two years' back mail pay has been eliminated from the January returns, so that the two months' net operating income offers a fair basis for the projection of the future. The Railroad Administration's traffic ratio for these two months—11.485%—is applied to obtain the indicated net operating income for 1920. The comparison with a full year's rental is then shown.

It should be understood that the operating returns for these five roads are much more characteristic than the similar returns of roads still operating for Government account. What the latter do in the period from March 1 to September 1 is of little significance, because they will be operating under rates which will not be in force when they are thrown back on their own operating resources. The five roads in question, on the other hand, will be forced for a period of six months to operate for their own account at existing rates, which, on the basis of the last few months' returns, leave practically no operating net for the roads as a whole. The same rates having prevailed in January and February, it follows that the returns for these two months shed some light on what may be expected in the succeeding six months, excluding the effects of the strike.

The returns for March, the first month in which these five roads will operate for their own account—will be available about the time or shortly after this issue of THE MAGAZINE OF WALL STREET is published. In order that readers interested in the securities may make their own comparisons as soon as possible, a compilation has been made—Table II—showing what these five roads should do to equal rental.

Column I is based on March's ratio of the traffic year and shows what each road should do in that month in order to earn 100% of a year's rental in a year's operations. Actual payments of rental, however, are based on the simple monthly division of the year. Thus, a road might return net income for March showing a loss on actual payment of rental, but running at a seasonal rate which would result in more than a year's rental if continued throughout the year.

Too much dependence, however, should not be placed on the March results. The officials were busy that month in reorganizing their departments. Had it not been for the strike, April results might have furnished a fair basis for projecting into the future. As it is, May will probably be the first indicative month. Nevertheless, and for present purposes, these properties became dependent on their operating nets as of March 1. Pere Marq. vol. 25, p. 702; So. R'way. p. 705; West. Pac. p. 761.

IMPORTANCE OF THE "SURPLUS RESERVE"

Since many investments in stocks and bonds are always carried on borrowed money, a big surplus bank reserve, making it easy to borrow money, is always a bullish factor in the stock market. Its effect is indirect, so that it is not possible to trace out any close relation between the amount of surplus reserve and the course of the market; but a liberal surplus is always a necessary fundamental condition to the inauguration of a bull market, and a reduction of the surplus to small figures necessarily removes one of the props from under the market, although it may not result in any immediate decline.

BUILDING YOUR FUTURE INCOME

The Line of Least Resistance Versus the Balance of Probability

Eternal Vigilance the Price of Success—Lessons Taught by a "Corner"

THE writer has frequently met people who were able to point to their profitable operations in "investments" at certain times, and who wonder why at other times everything they touch seems to go dead wrong. These people have spoken of their loss of grip on the situation (whatever it might mean), and mourn their temporary inability to make good.

An analysis of the situation has shown that they have been victims of circumstance rather than judges, as they supposed themselves to be.

In their successful moments they have followed the line of least resistance without considering probabilities. Their alleged judgment was accident.

In their unsuccessful spells, they have pursued the same policy; and the inevitable law that operates against those who follow the line of least resistance has taken its toll for the lack of eternal vigilance—that was not there.

* * *

IN a bull market, when everybody is bullish; when everything is going up from soup to nuts; when it looks as if every tree is growing to heaven; at such times one may follow the crowd with a fair degree of success so long as his welcome is not overstayed. At such time the path of least resistance is not strewn with thorns—at least not for part of its length—and one can buy almost anything with impunity, at any price, and have a fair chance of selling out on the other fellow at a profit.

This requires neither judgment nor vigilance; very often it requires only nerve and the spirit of recklessness. The lucky participant in this kind of a market who sells out on the next crop of enthusiasts is the individual above referred to. The only credit due to him is that he was enough of a coward to take profits and get out. Going and coming, he followed the line of least resistance.

There is no guaranty that this individual will be consistently successful.

The individual who is heading toward success is he who knows that eternal vigilance is the price of success, who refuses to follow the line of least resistance even at the cost of lost opportunities, and who insists upon weighing the probabilities in advance of his operation—whether he buys a baby bond or sells 100 Stutz Motor short.

THE New York Stock Exchange in its investigation of the Stutz Motor affair reported that the short sales in the stock were largely for the account of average medium people, like you and me, mostly in odd lots. The financial papers of recent days report that a lot of little people "went short" of this stock in small lots ranging from 5 to 50 shares. This magazine received a couple of scattered inquiries from subscribers asking what should be done to remedy a short sale of Stutz at 200. In one case, a subscriber sold 50 shares short at 200, and if he had waited for the finish of the fun it would have cost him over $25,000 for his opinion about Stutz.

The stock climbed from 125 to 700 in a few weeks, and it was easy to sell it short. It always looked too high from about 150, and the higher it went the easier it looked to sell it short. The path of least resistance was via the short side of Stutz, but those who chose the path did not stop to balance the probabilities.

* * *

WHAT do I stand to gain or lose by that transaction? What will be the cost, and can I stand it? Have I thought it well over, and does my calm judgment dictate my next move? Do I know the probabilities? Am I sufficiently vigilant?

These questions asked and conscientiously answered by the individual to himself, would do much to help one's investment judgment. No short-seller whose indoor sport was to tamper with Stutz Motor could possibly have had a staggering loss by asking himself these questions.

The lesson of the Stutz corner is obvious to those who will think. It does not pay to use snap judgment on the value of a security, nor to follow the crowd too blindly, nor to pursue a course because it seems (or is made) easy, nor to sacrifice vigilance because the previous going has seemed smooth.

When your ideas about investment have taken shape they must be placed in your mental balance and weighed as to whether the risk is worth the probable reward.

There is *one way* that you may follow the line of least resistance. It has often been mentioned in this magazine. If you don't know—ask.

* * *

INVESTMENT requires deep thought. Speculation is even more difficult and requires a lifetime of study, yet although entirely outside the realm of the little fellow it would seem that it attracts him most. The Stutz comedy would have been impossible but for his aid.

When we come to think of it, it reminds us of a certain pugnacious Irishman who attended an election one night. What was left of him next day drew the remark "What happened, Mike? Did you vote for the wrong man?"

"I didn't vote," said the son of Erin.

"Well, who beat you up?"

"It was like this," explained Mike. "Wherever I saw a head I threw a brick!"

The moral is: It is as well to weigh the probabilities before you throw some bricks without discrimination.

* * *

Do not act, in the market or elsewhere, without making sure that the other fellow hasn't a larger supply of bricks than you have.

If you invest, do it principally for income, but mainly for security of your principal.

If you must speculate (which we do not approve of for income builders) then consider the possibilities on both sides of the transaction, and how you would stand in the event of large gain or large loss. Do the *last first*.

A WORD TO YOUNG INCOME BUILDERS

By U. S. SENATOR SELDEN P. SPENCER, of Missouri

ONE thing which is old as the hills, and yet constantly neglected, is the vital necessity of keeping at the job you have on hand. When a young man has definitely made up his mind as to what he wants to do, he has taken a big step towards success. With a clear and definite goal in front of him, the second step which in the majority of cases brings him to his goal is perseverance.

If every day marks some progress in his education, in his experience, in his development, mentally or physically or personally, it is easy to see how the aggregate of these daily advances mount up when measured by months and years.

I undertake to say that any young man of good habits and fair ability who has a definite purpose in his mind, who knows the goal towards which he is working, and who makes every day mark the accomplishment of some advance, is in all human probability certain of securing his purpose.

A great leader once said, "The leisure hours of a young man's life are the burning fiery furnace of his future." Just in proportion as a man makes every day count, precisely in that proportion is the certainty of the realization of what he desires.

Our difficulty today is the tendency to let day after day go by with no marked advancement, with no added information, with no greater experience and with no greater strength of body or mind or morals, and when there is no advancement, there is always retrogression.

Our great secret of success is to constantly keep after the goal we have in view.

How to Select a Bond

Brief Suggestions for the Beginner

By G. C. SELDEN

THE selection of sound securities, which will return a fair interest yield on your money and may increase somewhat in value, is a very important part in attaining financial independence. How is the average investor to go to work to select a good bond?

A large number of bonds are listed on the stock exchanges of the country. Lists of these are given in the Investor's Pocket Manual and other similar manuals. Then there are many good investment dealers who have bonds for sale which they have investigated and believe to be sound. Other dealers offer bonds of a more speculative type, which the ordinary investor should avoid.

First—Do not buy bonds from anyone except a reputable investment house. There are plenty of these, so why take chances with others? If you are at a loss to know which houses are reputable, THE MAGAZINE OF WALL STREET will gladly furnish you information on the subject. It also answers inquiries from its subscribers in regard to the rating of different bonds, and the investment dealer through whom you are thinking of buying will give you information about the bonds he offers or the bonds which are listed on the various Stock Exchanges.

Do not, however, depend entirely on others' advice, even though you have every reason to suppose that they know what they are talking about. It is easy enough to examine the condition of the company issuing the bond. Why not do it? Therefore—

Second—Get the income accounts of the company for several years past and see how many times it earned the interest charges on *all* its bonds and notes outstanding. You will find these income accounts condensed in various manuals, and if you desire to investigate still more thoroughly, write to the company for a copy of its last annual report. By calling at the office of the broker or investment house you propose to patronize, you can look over these annual reports for several years past.

Don't figure on the interest charges for any one bond alone, for the company has to earn interest on *all* its bonds and notes in order to keep out of receivership. If you find, for example, that the company's net income (after expenses and taxes) has averaged twice its total interest charges for the last five years, it is a fair assumption that it may continue to do so—provided you find nothing else wrong with it. If you find that it is earning more and more year by year, it is evidently in a better position than if it is earning less and less year by year. So notice that point.

Third—See whether your bond is secured by mortgage on certain property, and if so what that property is. The mortgages behind some bonds are very complicated, so that you may need to get the help of your investment broker or of THE MAGAZINE OF WALL STREET in this connection.

Of course you don't intend to buy a bond of a company which will go into receivership; but the advantage of a mortgage is, that in case the company *should* go into receivership, you have a claim on certain specific property and are therefore in a better position than if the company simply owed you the money, as would be the case if you had a "debenture" bond, as it is called, having no mortgage behind it, but merely the company's promise to pay.

Nevertheless, a debenture bond having very large earnings behind it is better than a mortgage bond having only small earnings out of which to pay its interest. The earnings are the most important thing. That is where the money comes from that you expect to get.

Fourth—Notice whether the company is obliged to pay the interest on the bond, or whether the interest is payable only *if earned*. In most cases the company is legally obligated to pay, and therefore must pay or go into receivership. But there are some bonds called "income" bonds or "adjustment" bonds which contain the provision that the company does not have to pay interest unless it is earned. The Seaboard Air Line has an "adjustment" bond of this kind, and the Frisco System has an "income" bond and an "adjustment" bond—interest on the latter being cumulative; that is, if it is not paid one year it has to be paid later before the stock of the company can get any dividends.

Fifth—The bond may be "convertible" into stock at a certain price. For example, $100 of par value in bonds may be exchangeable after a certain date for one share of stock at a price of 90, or 110, or any other price. If so, you need to find out what price the stock is now selling for and what its general prospects are, so as to see whether there is a good chance of its selling high enough to give you a profit later by exchanging your bond for stock.

Sixth—Find out what rate of income you will get from the bond by buying at the present price. If you buy a 6 per cent. bond at 88, you divide 600 by 88 and find that you will get about $6.81 a year on each $100 you invest in that bond. This shows the rate of *current* income the bond yields at that price. But the bond will be paid off at par, or 100; so if you hold it until it matures you will get $100 for every $88 you invested. Any other buyer would get the same, so the bond will slowly rise from 88 to 100 by the time it matures. This additional profit is *certain* unless the company goes into receivership (except for "income" bonds, as explained above). So it is customary to add the present value of this additional profit yearly to the rate of current income in order to get the true interest yield of the bond. For this true yield, or yield to maturity, consult the bond tables, or "Bond Yields at a Glance," or ask your investment dealer what it will be. In the above example, if the bond matured in 15 years the yield to maturity on a purchase at 88 would be 7.4 per cent.

The yield to maturity is generally given in bond circulars issued to sell the bond, and in lists of bonds recommended for investment.

You can then compare the yields of different bonds with their relative security or soundness and the prospects for the companies issuing the bonds.

Seventh—As a general rule, don't buy bonds having a yield to maturity of more than 6 per cent. unless you have had some investment experience, as there is danger that such bonds may be too speculative. Just at present there are many good bonds which yield more than 6 per cent., but this is probably merely a temporary condition, resulting from the war.

INTEREST CHARGES ON BONDS

It is a perpetual puzzle to the new bond buyer how bond houses arrive at certain interest charges, yet the matter is very simple. An investor orders some "X Corporation Convertible 5s" and the "Z Railway 1st 4s" and they are billed to him at, say, 95 and 80 respectively and he pays the usual commission. In addition will be found certain interest charges which the buyer does not always understand.

On examining the bonds, it will be found that coupons are attached payable half-yearly. In the case of $100 bonds these are for $2.50 each, or $5 annually in the case of all 5% bonds: 4% issues carry $2 coupons payable twice yearly. If the bond is for $1,000, the coupons are for $25, $20 for 5s or 4s, as the case may be. The buyer never gets arrear coupons: these interest vouchers that arrive with the bonds always being for payments ahead. The bond house makes its purchase at 95 and 80 subject to an adjustment of interest between buyer and seller. It cannot divide a coupon in half if the next payment is only three months ahead, and there is no reason why the buyer should get the past due three months interest. So, the seller, in addition to the market price gets the past due interest computed to the day of actual sale, and by handing over his bond with coupon—the latter having meanwhile accumulated some interest—to the seller, places the latter in a position to collect it. The seller cannot, quite obviously collect any interest when he parts with his coupon. If any coupons are due only a few days hence, they must still be left on the bond as all coupons ahead go with the bond. The buyer must then pay (1) the market price, (2) commission, (3) six months interest less the few days in question.

What Shall I Do With My "Rights?"

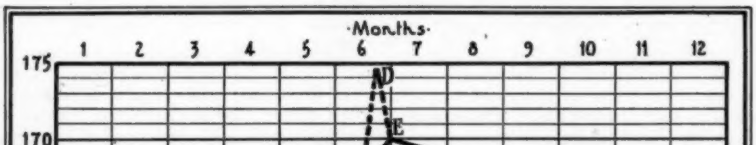
There Is a General Law of Price Movements Applying to Ninety-two Cases Out of a Hundred

By **ALBERT SCHAIN, Wharton School of Finance, University of Pennsylvania**

IN these days when many corporations are offering their shareholders the "right" to subscribe to new stock it will be something of a shock to the average investor to be told not to exercise his "rights," but to sell his entire holdings of that particular stock as soon as the announcement of the offering is made.

Yet, it is a fact that in ninety-two cases out of a hundred the stockholder who does not sell his holdings but exercises his "rights" will suffer a loss of from three to thirty dollars per share within the five months following the offering.

To prove this contention that a loss is incurred by holding the stock and to gain some idea of the size of this loss turn to the graph herewith. This chart represents the course pursued by a supposititious stock, and *has been obtained by averaging together forty actual cases—the first forty cases that were found.*



It will be seen that at point A, which is six months prior to any announcement or rumor of an issue of "rights," the stock could have been purchased for $158 per share. During the next three months our continuous markets began to perform their great function, the discounting of the future, and the stock advanced from point A to point B, which is three months prior to the announcement, or from $158 to $165 per share. In the next two months and a half the stock continued its advance and fifteen days prior to the announcement was quoted at $167½ per share, point C. During the next fifteen days the price fluctuated between $167½ and $174½, reaching the latter figure about six or seven days prior to the announcement and receding to $170 on the day of the official announcement that new stock was to be offered.

We cannot assume that the stockholder could take advantage of the highest price reached, point D or $174½, because he had no knowledge of what was causing the price of his stock to rise, but, when the official announcement was made that "rights" were to be offered, the price was still at $170 per share, point E, and the shareholder could then have closed out his holdings in that particular stock.

From point E the price of the stock began to decline, and two months later, on the last day, when it was quoted "rights-on," i. e., including the subscription privilege, the price was $158 per share. The next day selling "ex-rights," without the subscription privilege, the quotation was $150 per share, showing the average value of the "right" to be about $8.50.

However, the decline did not stop at this point, but continued for at least three months more, declining by the end of that period to point F, or $151 per share, a positive loss of $19 per share from the price which the stockholder could have sold when the public announcement was made.

In only eight cases out of a hundred did the results vary from the above law. In every other case the stockholder suffered a severe loss from the exercise of his privilege, ranging from three to thirty dollars a share.

We can therefore say that, in ninety-two per cent of the cases the stockholder can best protect himself by selling his entire holdings of a corporation which is about to issue new stock, for the subscription "privilege" represents a passing of property when it has a high value from those who "know" to those who are not so well informed.

Of course there are some who buy stocks for permanent holding and who are not interested in these fluctuations of price. For them there are four means of disposing of their "rights."

By the first method of disposition, the stockholder may exercise his "rights" to take the new stock and sell it after it has been received. This plan is subject to several disadvantages. If the payment of the stock is extended over a period of ten or twelve months, as is not infrequent, and the investor is forced to borrow the money to make his purchase, the interest charges will greatly reduce his return. Furthermore, he has no assurance that when the new stock is finally received that the price of the shares will not have declined below the point at which he purchased them.

The second method consists of the "short sale" of the stock. Following this plan, a shareholder would, as soon as he had determined his quota of the new stock, "sell short" that amount of the stock. This would enable him to take advantage of, as was proved in the first few paragraphs, a very favorable market. But this plan also has disadvantages. After the short sale has been consummated the price of the stock may rise until the broker deems the margin deposited insufficient and closes out the account if additional margin is not forthcoming. Or, while the trader is "short," the market on his stock may be cornered and he be forced to settle at prohibitive terms.

The third method consists of the sale of the "rights," since a market for "rights" always exists.

This method enables the stockholder to take his profits immediately and thereby converts "an uncertain future profit into a certainty," and is the second best method of disposition.

The fourth method, which eliminates the disadvantages noted in the preceding methods without destroying the advantages, is the sale of an amount of stock from the shareholder's original holding equal to the number of shares to which he is entitled in the new offering. This, when done after the "date of record"—the day on which stockholders of record have the subscription privilege—will remove the interest-paying period, the risk and expense of the margin transaction and the dangers of short selling.

These methods, however, must all be considered supplementary to the sale of the entire holding which permits the stockholder to take the full advantage of the rise in price of his stock and then to repurchase it later at a much lower figure.

BONDS DO NOT MONOPOLIZE SAFETY

Some stocks are far safer than some bonds; and at certain times and under certain conditions *any* standard dividend-paying stock is better than *any* standard bond.

For example, the stock of the Pennsylvania Railroad, which has paid dividends dens steadily for years, is a much safer investment than the bonds of a new road which is barely meeting fixed charges and might be thrown into the hands of a receiver by a few years of hard times.

WILL BE HEARD FROM

My Dear Mr. Wyckoff:

It's a hard matter to express my thanks, as I would like to, for your very kind reply to me through The Magazine of Wall Street. Mr. Wyckoff, it's a barrel of advice you gave me and the only way I can repay you is to follow it. I will. Depend on it. Though the next years will mean untiring effort, I'll do my best. Within ten years you shall hear from me. —F. A. W.

INSURANCE INQUIRIES

A Sound Idea

I have received about $5,000, the proceeds of a matured life insurance policy. I wish to establish a separate fund with this and consider it as life insurance, invest it and build it up to the best of my ability. I shall pay into this fund all of the income from these investments, also continue to pay into it the amount I have heretofore paid as premium.—C. S.

Answer.—We note that you are a subscriber to our Investment Letter Service. You will find in it selected bonds and preferred stocks adapted to your purpose.

NEEDS 20-PAYMENT LIFE

I am a young man, 24 years of age, single, and have an income of $3,000 a year.

I have been advised by one party to take a twenty-year endowment policy and by another a twenty-payment life. Another one advised me to take the cheapest kind of insurance or a straight life, and put the balance of the premium I would pay for an endowment policy into shares in a building and loan association.

Any advice you could give me in regard to what kind of a policy and how much insurance I should carry on my income would be greatly appreciated by—R. C.

Answer.—Apply for about $10,000 20-payment life. What you need is a flexible policy; also one that gives a large volume of protection in proportion to the premium. During the next 20 or 25 years you will probably have more need of life insurance as protection than at any other time in your life. Twenty years from now you may still need life insurance, which is extremely likely, and on the other hand you may not. If you need it, your policy is all paid up free and clear, no more premiums, and on death your beneficiary will receive more than double the total amount deposited by you. If you do not need it you can treat it as a savings fund by surrendering it and getting back in cash about what you have actually put on deposit, possibly with a small amount of interest. You will have had your protection and retained your principal. As you are young, your net premium will be low, amounting to about $5 per week. At 43 your deposits will be completed. We can safely advise you to take 20-payment life.

PREFERS ORDINARY LIFE PLAN

I am 36 years old, carry $2,000 in the Ohio State Life Insurance Co. on the 20-payment life plan. Married, 2 children, buying a house, no income but salary. I wish to provide $3,000 to $5,000 additional insurance.

Have studied the matter a little and decided that limited payment policies are a fallacy. I could take the difference between the payments on a 20-payment endowment policy and a term (renewable) policy, and by compounding it at 6% I could provide my own endowment to better advantage. Am I right?

What is the best and cheapest company? I am considering the Metropolitan, Connecticut Mutual and Postal Life.—J. C. G.

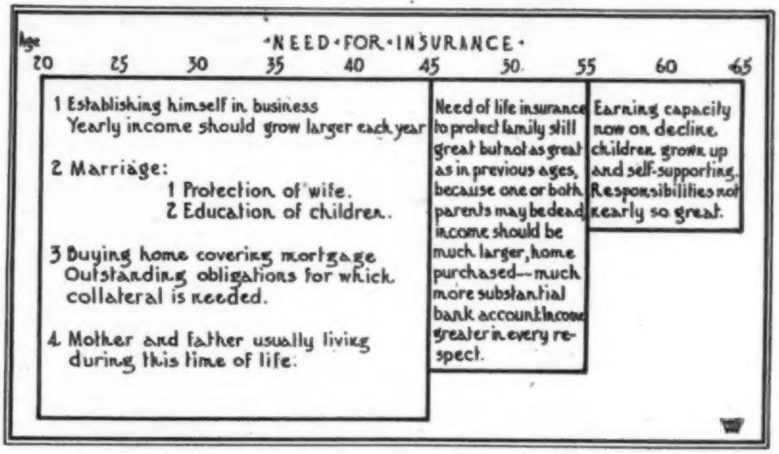
Answer.—We have had our insurance expert go over your question very carefully, and he has submitted the following answer.

No life insurance policy can with any justice be called a fallacy. Each plan has its own place and serves its purpose. The insured always gets what he pays for.

What you need is a large amount of additional insurance on the ordinary life plan. This contract is the largest volume of permanent protection at the lowest annual premium. It might be wise to have the bulk, though not all of your permanent life insurance payable on an income basis by the company itself, or turned over to a reputable trust company to keep and pay the income to your beneficiary until your children attain a certain age—this depends upon the business ability of your beneficiary and other mitigating circumstances.

If you are buying your home on an installment plan or have it mortgaged, it would be advisable to secure term or temporary insurance to cover the unpaid installments or the mortgage. If it is a mortgage and it runs for five years, take a five-year term policy. The premium is extremely low and the policy will automatically expire at the time your mortgage is paid off. In event of your death in the meanwhile the policy will pay the mortgage.

In answer to your last question, there is really no best and cheapest company. Practically all of the old line companies have, roughly speaking, the same net cost over a period of years. One is just as good as the other.



The young man is apt to feel that his need for life insurance is less because his chances of death are smaller than they will be as he grows older. As the above diagram shows, this idea is the exact opposite of the truth. His need for insurance is the greatest as the age when the necessities of his family are greatest, which is usually before he is 45, and when his accumulated surplus is smallest, which also is likely to be when he is young.

COLLATERAL VALUE OF SECURITIES

The term *collateral* as used in Wall Street refers to securities used for borrowing purposes, whether through brokerage houses or banks, and may consist of (1) Listed short term notes, (2) Unlisted short term notes and commercial paper, (3) Listed or unlisted bonds, (4) Preferred stocks, (5) Listed common stocks dealt in on the leading exchanges like the N. Y. Stock Exchange, the Boston Stock Exchange, the Pittsburgh Stock Exchange and similar, (6) Unlisted securities of good rating usually traded in over-the-counter like E. W. Bliss, Bordens, Semet-Solvay, American Cyanamid, Metropolitan Trust, First National Bank (7) Curb stocks approved by the N. Y. Curb Association like Submarine Boat or Aetna Explosives (8) Curb stocks of various grades but not "listed" with the Curb authorities.

The relative value of securities for collateral is very roughly in the order named, so far as brokerage houses are concerned. The latter prefer stable, active, listed (on the big Exchanges) issues that have a ready market, on the order of U. S. Steel, Reading, Union, Am. Smelting or Sugar Refining. The wide movers like Crucible, Baldwin or Mexican Petroleum are also acceptable but not as welcome. Listed preferred stocks are very acceptable almost without any exception, so long as they represent the well known companies like Car Foundry, Woolen, or American Locomotive. Bonds and notes are in good favor as the brokers can pass these on to their banks and get liberal loans for their customers. No large stock exchange house cares for curb securities although they will oblige certain valued customers by carrying the seasoned issues: these houses usually have outside Curb affiliations with unlisted brokers through whom they transact any curb business that comes along, through their private wires to certain responsible curb houses. Certain curb brokers carry curb stocks but the number of responsible houses is very small indeed. Banks will usually loan on unlisted (over-the-counter) securities of high grade, and the best type is a bank or trust company stock for this purpose, because the latter class are backed by cash assets and usually no funded debt.

This explanation will indicate the best means of keeping commitments in such shape that where the necessity for borrowing arises, the inventor may know where to turn.

How I Handle My Own Funds

XII.—The Importance of Preserving Your Capital

By **RICHARD D. WYCKOFF**

THE question is not whether you can make money with your original capital but whether you will cease because of the loss of this initial money at the very outset.

There is everything in getting a good start. In a preceding chapter it was shown that I did not begin to invest until eight years after my studies had commenced, and then I did not begin trading until six years after that. Just how long the average investor should pursue his studies without putting his ideas into practical operation is a matter for each individual to decide, but there should be a thorough understanding of the theoretical side before the first ventures or investments are actually made.

A person becomes competent in other fields because he has generally gone through a long period of practice and preparation. A physician, for example, goes to college, attends clinics, rides in an ambulance, serves in hospitals, and, after some years of preparatory work, hangs out his sign. In Wall street the same M.D. would hang out his sign first; then proceed to practice. In one way the doctor's work, in and out of Wall Street, bears resemblance, inasmuch as when he begins to practice his profession he has to acquire patients. In Wall Street it is spelled "patience." Both are absolutely necessary to his success.

THE MAGAZINE OF WALL STREET has often repeated warnings against beginning to operate before you know how; but the truth will bear many repetitions, and as our circle of readers is constantly widening we are again emphasizing this point.

If Wall Street could only retain the same clientele year after year and add to it the many who for the first time find themselves with investment or trading capital, we should have four million and five million share days instead of one and two million. It is strange that in the financial district, which is the very heart of the nation's commercial and industrial body, there is such a woeful lack of understanding of what the public requires in the way of assistance.

What Brokers Might Do

My organization has devoted a great deal of effort to showing the brokerage houses that in order to permanently retain their clients, steps should be taken to educate them. We have offered to sell to banking, brokerage and investment houses quantities of literature at cost and have tried to show the brokerage fraternity how important it is to disseminate educational books and pamphlets on this subject, in order that their clients, through genuine knowledge, might become permanent, instead of transient, patrons of their respective houses. But with rare exceptions, our appeals have fallen upon ears that were deaf. Brokers would rather go on securing, at great expense, new clients to take the place of those who become discouraged and fall by the wayside. Some day a brokerage house will be evolved which has, as a permanent part of its organization, an educational department whose business it will be to see that its clients are properly informed as to just what they should do and how they should do it. Meantime, the individual investor is deprived of assistance from the logical source whence it should come.

The people who really stay at the business and continue year after year to buy and sell securities can generally be classified into two divisions. First, those who have outside sources of income and are continually bringing money into the street, and, second, those who are successful in their operations and thereby increase their capital, or to a greater or lesser extent maintain themselves out of what they thus realize. It is unfortunate that the percentage of those who bring money to Wall Street is so large and that many do not realize that it is their lack of knowledge and their inefficient methods in the financial field which bring such unsatisfactory results.

All Should Be Trained

Lawyers, doctors, surgeons and other professional men are obliged, under state laws, to pass certain examinations and receive certificates showing that they are competent to practice. This is for the protection of the public, but no way has been provided whereby the public can be protected against its own operations in the security market. It would be a good thing if the financial lives of more customers of brokerage houses could be sustained by making them pass an examination as to knowledge of the subject and ability to take care of themselves. Many states require applicants to pass an examination before they are given permission to drive an automobile on the public highways. In one case it is a physical and in the other a financial risk.

A certain amount of mistakes and a percentage of unfortunate investments are to be expected, no matter how well you start or how expert you become. But you should always preserve your trading or investment capital by never putting yourself in a position to have this wiped out. As the Irishman said, "It is betther to be hurted than kilt." Lack of capital and over-trading, being the cause of most misfortunes, are the result of being too heavily committed in one direction or another.

Investors who begin with even a single one hundred dollar capital have the choice of being conservative or of over-trading, but through ignorance many do not realize just when they are over-reaching and when their operations may be designated as conservative. In order to avoid a danger, they must know where it lies. It would be foolish for a corporal to lead an army into a strange country; and just as foolish for any novice to marshal his capital and launch into one or another phase of buying or selling stocks or bonds, without previous study.

Studying the Mistakes of the Public

A cross-section of the public's operations would show lack of interest when prices are low and the market is dragging along. When prices begin to advance the public begins to buy and this buying increases in proportion to the extent and rapidity of the advance until, at the top of an important movement, the public is 95% bullish and, as a rule, loaded up. The more uninterrupted the advance, the greater and more rapid the increase in public commitments.

Examining the cross-section in a panic we would find that those who went heavily long on the way up and at the top are selling out or being sold out. The buying is by new recruits, consisting of bargain-hunting people who have never before bought securities, combined with the comparatively few who sold while prices were high, and who therefore have money to invest.

Prices may have advanced steadily for a couple of years prior to the panic and those who began with a small amount of capital may have accumulated good round sums when figured at the high prices—mostly paper profits. But as bear markets are generally both swift and severe, these profits are quickly swept away, so that often those who have been piling them up for two years often lose them in thirty or sixty days.

You may say to yourself: "Oh, well, the public may do that, but I'm not one of the public." But the fact is, unless you are a trained and experienced trader or investor, or have, to some extent, a claim to being an insider, a professional or semi-professional, then you are one of that vast majority which constitutes the great American speculative and investing public. The sooner you realize this fact the more quickly you can adjust yourself to your proper position in the financial scale.

Finding Your True Position

The point of difference between the public and those who are not of this class is found in the fact that the public is not sophisticated; in other words, not trained in the business. If you are trained, you are not a member of that body.

Having thus classified yourself it is your business to ascertain how you can proceed without danger to the point where you can safely and profitably depend upon your own judgment. My personal opinion is that this can best be done by a course of study before beginning operations, because a satisfactory outcome is the result of knowledge plus capital. If you lack either the knowledge or the capital or both you cannot succeed, so the logical course is to get the knowledge first, meanwhile saving or setting aside the capital.

It is stupidity which makes people "rush in where angels fear to tread." As

there is something about the Wall Street atmosphere which makes people think that whatever is to be done must be done at once, otherwise the opportunity will get away from them. I find that opportunities are coming along all the time, and that the majority are not as good as they look. So the best ones are worth waiting for.

The young man with his first money might very well spend his spare time for five years in study, investigation, self-training, in order to find out whether he is an investor, a trader, or a specvestor, and the more he learns about it the greater he will realize how very ignorant he was at the beginning. If, at the age of thirty, he sees the necessity for study, and at thirty-five he has accumulated some capital which in the meantime has been reposing in the savings banks or in high grade bonds or mortgages, he should not even then go in with the idea of cleaning up a fortune, but with intent to cautiously and conservatively proceed, so that during the entire balance of his life he will steadily build up his fund of investment knowledge and capital on a constantly broadening base.

This matter is not anything that has to be hustled—you can pursue your regular business with this as a side line or hobby, if you like. You can't learn everything in a minute, but of course the more time you can devote to it the more rapidly you can proceed to practice.

The main point, as I have said, is to so preserve your initial capital that you will never be deprived of it, and the way to do this is to learn what you are about before you go about it.

* * *

IT is well to study the methods of other large and successful operators and investors.

Much can be learned from this source. There is great value in imitation, but of course we must select the individuals whose methods have been scientific and whose results speak for themselves.

When I was a small boy I became interested in the study of music. Some of my teachers were better qualified than others, but the one under whom I made the most progress was the one who interested me in the broad aspect of the art by inducing me not merely to practice hard but to attend the best of concerts and operas; to study the theory of music, the history of great composers, the characteristics of great compositions, the principles of harmony, etc. This teacher would, when I was learning a particularly difficult passage on the piano or organ, sit down and play it for me so that I could imitate. The result was that I became so interested in my lessons that I devoted to them practically all of my spare time and money.

That is the way to go into this subject. While you cannot expect big financiers or large and successful traders to sit down and tell you just how they do it, there is, in these enlightened days, a world of literature bearing on the subject. Past volumes of this magazine contain many articles of this nature. Your public libraries are all supplied with helpful material. Many hints are to be derived from a study of the methods of successful men.

(To be continued.)

Columbia Gas & Electric

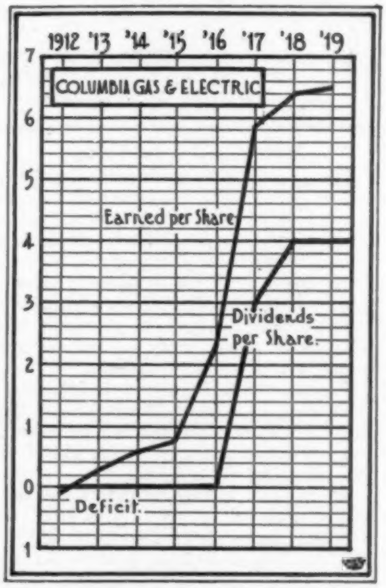
A Fast Growing Public Utility

Expansion in Columbia's Business—Possibilities of Gasoline Extraction—How Company Has Built Up Its Resources

By JAMES GARRISON

COLUMBIA GAS & ELECTRIC has presented the peculiar spectacle during past years of a public utility concern that was not only making money but actually increasing its earnings, while entering but slightly into outside business such as oil production. Its operating ratio has advanced but slightly, while the total business done has ben increasing steadily, so that net earnings have shown an uninterrupted improvement since 1912.

The company controls by stock ownership or lease various concerns operating natural gas properties, electric plants, and to a small extent traction lines in the general neighborhood of Cincinnati, but covering also parts of West Virginia, Kentucky and Ohio. It has complete stock ownership of the Union Gas & Electric Co., which operates natural gas and electric properties in and around Cincinnati under a lease of the Cincinanti Gas & Electric Co. Columbia Gas has leased directly the pipe-line system of the Cincinnati Gas Transportation Co., extending some 183 miles, which connects the huge natural gas fields of the Columbia Co. around Charleston, West Va., with Northern Kentucky cities and Cincinnati, and Columbia also operates under lease the Cincinanti, Newport and Covington Light & Traction Co., which owns electric, natural gas and traction properties in Kentucky cities adjacent to Cincinnati.



In addition, the Columbia Co. owns 51% of the capital stock of the United Fuel Gas Co., which adds 820,000 acres of gas land, and oil rights in half this acreage to the 250,000 acres directly owned by the Columbia Gas & Electric Co. itself. This control of the United Fuel Gas Co. has proved immensely profitable to Columbia, as last year United Fuel paid $16 a share in regular dividends and extras amounting to $20 a share. Some days ago the announcement came out that United Fuel had declared a stock dividend of 200% and that it would maintain dividends at the old rate. This means a minimum of $48 on each share of United Fuel that Columbia holds at present, or $2,448,000 annually, almost $2.50 per share of Columbia Gas stock. This acreage of natural gas land, stated to be the largest single block of such land in the United States, and so permitting of efficient operation, has been developed to less than 10% of its extent, although of course the best sites were used for the first operations.

The company has an artificial gas plant in Cincinnati, but it uses it only for emergency purposes. Such an emergency arose in the severe winter of 1917, when enough gas could not be gotten over from the fields, not because the gas was not present in sufficient quantity, but because the capacity of the pipe-lines limited the amount the company could supply. This plant is not being used at present, of course, gas conditions being now normal.

United Fuel Gas has contracts with the Hope Natural Gas Co., a Standard Oil interest, and with the Philadelphia Co., which are both gas producers, whereby it sells them gas at wholesale rates. United Fuel can turn out more gas even from the acreage at present developed than it needs, whereas the other two companies find their supplies giving out.

The Union Gas & Electric Co. has a newly-built powerhouse in Cincinnati, whose capacity is 60,000 kw. A new unit now being completed will bring capacity up to 90,000 kw., and eventually the rated capacity should be 240,000 kw. In addition there is the old plant, whose capacity is 30,000 kw.

Gas vs. Electricity

Although Columbia Gas & Electric supplies its district with both gas and electricity, it has entered into a cooperative understanding with the various Public Service Commissions, and the consuming public looking toward the conservation of its natural gas resources and the development of its electric business. The company obtained permission from the state regulatory authorities to charge its large industrial consumers the same rate, of about 30 cents a thousand cubic feet, as it did its domestic consumers, instead of the wholesale rate of about 10 to 15 cents a thousand which the large consumers had previously enjoyed, if the industrial consumer did not want to switch from gas to electricity.

Hence the movement for the abandonment of gas in favor of electricity made great headway from 1916 on. This point

is well brought out by the statistics of operation for the years 1917-1919, inclusive.

From the accompanying figures it will be seen that while there was an increase in the number of consumers of gas of 1,224 between 1917 and 1918, the actual consumption of gas in the Cincinnati district decreased by 1,457,845 thousands of cubic feet; similarly in 1919, the number of consumers increased with the steady increase of population by 5,349, while the consumption of gas dropped still further by 1,387,453 thousands. This would indicate that while the number of small consumers was increasing, some large consumers must have dropped out, more than counterbalancing the increase in consumption by domestic consumers.

In the electric department conditions are entirely reversed. In 1917, as the figures show, the average consumption of electricity per consumer was 26,874 kw. hours. Had the same proportion of small to large consumers been kept up, the addition of 2,639 new consumers in 1918 would have added about 710,000 more kw.-h. to the consumption. Instead, these new consumers added 22,771,398. In the following year, 6,401 new customers were on the company's books, but instead of adding some 1,810,000 kw.-h., according to the average rate of consumption, they added 36,690,855 kw.-h. This would confirm the belief that the larger customers of the company, the big industrial plants, were turning from the use of gas to that of electricity.

It is said by those who follow the company's affairs closely that this movement has about run its course, and that the gas business of the company will stay at about its present level for some time. At present, it is estimated that about two-thirds of the company's gross income comes from its gas business, while about one-third is derived from its electrical operations. When it comes to net income, the proportions are reversed, some two-thirds of the company's net coming from electricity and one-third from gas. Very little income is received from the traction properties. This is in harmony with the well-known fact that electrical business is about the most profitable to the public utilities at the present time.

Gasoline Extraction

An interesting side-line of the company is the extraction of gasoline from its natural gas by the absorption method, which may be roughly described as the dry method as distinguished from the casing-head or "wet" process. Its costs of installation and operation are relatively small, amounting in the case of this company to about $500,000 annually for the recovery of some 15,000,000 gallons of gasoline worth some $3,750,000, all of which formerly went to waste. The company is the largest producer of this kind of gasoline in the United States.

The efficiency of this process is being rapidly increased, so that larger yields of gasoline are produced even when less gas is run through the pipes. The latest report of extraction shows that the percentage extracted is the highest on record for the company's gas, and so the company will benefit by the great demand for petroleum products in a rather indirect fashion.

Columbia Gas & Electric does own some oil wells, but they do not produce enough to add materially to the earnings of the company, although the oil is of the same quality as Pennsylvania crude and sells for the top prices of the crude oil market. In connection with the attached oil production figures, it is interesting to notice that the production per well declined slowly from 1,126 barrels annually in 1914 to 958 in 1916, following which not only the number of wells increased but the average production per well also, indicating that while the old wells were gradually but slowly giving out, as is the manner of Eastern oil wells, new ones of greater productivity were being brought in, with the exception of last year, when the increase in average production was not maintained, because of the curtailment of drilling operations caused by high cost of materials and labor.

TABLE I—DEVELOPMENT OF COLUMBIA'S ELECTRICAL BUSINESS.

In Cincinnati District.	1917	1918	1919
Gas customers.	143,394	144,518	149,867
Gas sold (thousands of cu. ft.)	19,831,565	18,373,720	16,986,267
Electric customers	40,205	42,844	49,245
K. W. H. sold.	98,036,308	120,807,706	157,498,561

Building Up Asset Values

The company's financial policy has been rather conservative, as shown by the accompanying figures of earnings and dividend payments. The steady growth of earnings from red ink figures in 1912 to $6.51 on the common last year is significant, especially in view of the particularly hard times of the last few years through which most public utility companies have found it pretty difficult sailing.

The present dividend rate is 5%, instituted early this year. Earnings for the first three months are running well above last year's, indicating something like $7 or $8 a share on the common.

An analysis of the company's balance-sheet shows that of the surplus of $11.69 per share accumulated since 1912, $1,531,545 has been added to a working capital, which amounted to $69,266 in 1912. Within the same period the surplus account has been increased from $1,416,587 to $2,262,507, and reserves have been built up from $367,169 to $2,733,927, the latter composed largely of a depreciation account of $2,237,769. The property account has stood practically stationary during this time, in spite of new constructions and additions, for instance the new electrical plants.

TABLE II—UNITED FUEL GAS OIL OPERATIONS.

	Oil Produced (barrels).	Oil Wells Owned.
1914	89,000	79
1915	78,177	78
1916	111,485	114
1917	189,381	134
1918	274,910	148
1919	236,309	163

According to the last financial statement, there is about $110 a share in total net assets, this item having shown steady improvement for the last few years.

Capitalization

Columbia Gas & Electric has outstanding $11,502,500 of first mortgage 5s, due 1927, with sinking fund provision. The bonds are well secured, being a first lien on all property of the company, carried on the company's books at nearly six times the par value of the outstanding bonds, and by pledge of the securities of subsidiary companies. Interest requirements have been earned some five or six times over for the last three years.

There are also outstanding $2,616,500 of 5% debentures, also due in 1927. At late prices of about 87 for the first mortgage bonds and about 80 for the debentures, they yield about 7.40% and 9.47% respectively. Seeing that the stock yields only a quarter of a point more than the first mortgage bond, the latter is a bargain at its present price, considering the high security and margin of safety on interest requirements. For one whose tastes do not demand the utmost conservatism in bond-buying, however, we should be inclined to prefer the debenture bonds, as they are so much smaller in amount than the first mortgage bonds, mature in the same year, and are backed by stock valued in the market at $32,500,000.

Behind both of these bond issues is the capital stock, of which $50,000,000 is authorized and outstanding in shares of $100 par value. The dividend rate at present is 5%, which yields about 7.69% on the present price of the stock about 65. It enjoys a wide market, being listed on the New York Stock Exchange, and also on the exchanges of Cincinnati, Pittsburgh, Columbus, Washington and Louisville. At its present price it is near its high for 1919, and higher than in any preceding year. Its technical position at the present time does not seem to be of the best, as there is much stock in the market and indications of distribution have been observed. Intrinsically the security is good, however, and deserves careful attention.

IMMIGRATION—DARK HORSE OR WHITE ELEPHANT

(*Continued from page* 959)

migrants have been men who were graduated from European universities and who lived on their wits abroad and have then come to this Country. If you look for an anarchist, don't look for him among those who are illiterate. *Foster and Reed are not foreigners, but dyed-in-the-wool Americans!*

General Du Pont, Chairman of the Inter-Racial Council, who on another page claims that but 1% of the foreign language newspapers are ultra radical, also told me that 'the general indiscriminate denunciation of these foreign born that is taking place in this Country is resulting in many of them leaving America, in the growing mis-understanding between native and foreign born residents—resulting in a general demoralization of our industrial and social life.'"

In its educational campaign the Inter-Racial Council is rendering a public service by crystallizing the various topics relating to this great national issue. And as old Mr. Pulitzer would say let "the pitiless light of publicity" fall on all the facts affecting this grave issue which affects the personal welfare of us all, and the continued industrial health of our Country.

Atlantic Gulf Oil Corporation

AGWI Interests Extended to Include One of Central America's Largest Oil Producers

Properties of the New Oil Subsidiary of the Atlantic Gulf & West Indies Steamship Co. Include Largest Gusher in the World—Aggressive Management

By RALPH RUSHMORE

AT a time when the oil industry had just about given up hope of seeing any large new production brought to market, the Atlantic Gulf & West Indies Steamship Co. has quietly stepped into the arena with properties, equipment and transportation facilities which promise to make it one of the largest independent oil producers in the world. Instancing the almost insatiable demand which now exists for crude petroleum, it is worthy of note that the organization of the AGWI oil unit, involving the sale of $20,000,000 of capital stock and a total of $7,500,000 in first and second mortgage 6% bonds, has been accomplished without causing more than a mild stir in the petroleum world.

Within the last few months the record-breaking expansion in the petroleum industry has very nearly reached its culmination; that is to say, either the sources from which petroleum might be produced have been seriously depleted of their supplies or else the means of transporting the precious stuff from such sections of the world as it may still be found in, have become entirely inadequate. South America, where many wealthy interests have staked some of their biggest ventures, is almost out of the running at the present time owing to the shortage of tankers; and the same condition applies to most other independently operated properties located overseas.

The domestic fields of the United States, although in most cases sufficiently durable to warrant expectations of a large production for some years to come, show no signs of greatly increasing their output; while other fields, whose original location was widely heralded as the commencement of a new era in petroleum production, have proved disappointing.

That the situation as regards petroleum production will eventually right itself is not questioned; but it will take many months of development and pioneering before any great change can be effected. Meanwhile, those companies which are already established in the oil producing field, will go on enjoying the bonanza that has developed; while such new companies as are able to join the ranks with any considerable production, and the means of getting that production to market, should experience little difficulty in making the most of their opportunities.

One of the most important recent entries is the oil subsidiary of the Atlantic Gulf & West Indies Steamship Co., recently formed and known as the Atlantic Gulf Oil Corporation. Capital structure of this company consists of an authorized $10,000,000 10-year sinking fund 6% bonds, $2,400,000 second mortgage 6% bonds, and 200,000 shares of common capital stock of par value $100.

This company enters the oil game, not only with an assured production, but actually with one of the largest potential producing wells in the world and a total potential production from the properties it controls comparing favorably with that of any other independent oil producer. Moreover, through contracts arranged with the United States Shipping Board, the Atlantic Gulf Oil Corporation has a large tanker fleet already at its disposal, and 14 oil transports under construction. Its facilities include, or will do so when the present construction program has been completed, pipe-lines, a topping plant and pumping stations; and it has already contracted in large measure for the sale of its future oil production.

WELL NO. 1 COMING IN

The biggest well on the Atlantic Gulf Oil property in Tepetate, Mexico, having a potential flow of 150,006 barrels a day

Atlantic Gulf's Properties

Properties of the Atlantic Gulf Oil Corporation are located in the Chinampa-Amatlan fields of Mexico—constituting one of the richest fields in the world—having been originally developed by William H. Zahniser, M. L. Vincent and Addison H. Gibson. All three of these gentlemen, it may be noted, continue on the board of the company, either as officials or directors. Control of the company is vested in the Atlantic Gulf & West Indies Steamship Co. through its ownership of 55% of the common capital stock. Of the balance $2,500,000 par value of stock was offered for public subscription and, at this writing, is quoted on the New York Curb Market at 80-83.

The dimensions of the Atlantic Gulf oil venture are brought out by the fact that, of the three large wells already brought in on the company's property, what we may call for purposes of identification "No. 1 Well" has a potential production of 150,000 barrels of oil a day.

Even this bored age, accustomed to juggling with fortunes, cannot fail to realize something of the hugeness of a daily *oil* production, from one well alone, of 150,000 barrels.

If, however, that production figure is not enough to impress our modern critics, we can look into Atlantic Gulf's other active resources, including two additional wells, and bringing the company's total potential production capacity up to 250,000 barrels of oil daily.

Production from the company's wells will, of course, not be run at full capacity; at the same time, to what is obtainable at present from the company's wells must be added the new production likely to be brought in as a result of the active development campaign now under way. Discussing the situation with an interest prominent in Atlantic Gulf, I learn that the company expects to drill four new wells within the next ninety days.

From an examination made of the original property acquired by Atlantic Gulf from Messrs. Gibson, Zahniser and Vincent, it is estimated that the company will be able to produce in all a total of more than 98,000,000 barrels of oil. This, it is noted, does not include an estimate on the properties more recently acquired.

The oil that streams from the Atlantic Gulf's wells is about 21.6° crude, or what, so far as I am able to ascertain, is the lightest grade crude produced in Mexico.

Through "topping"—or separation from the crude oil of its component parts from the crude oil of its component parts—high percentages of gasoline and kerosene are produced, leaving about 80% residue for use as fuel oil. For the purpose of topping its oil, the Atlantic Gulf Oil Corporation has a plant now under construction which, by the first of this coming August will be able to accommodate 10,000 barrels daily, its ultimate

capacity of 30,000 barrels a day to be reached by the first of December.

Plenty of Tankers

The most important feature in the Atlantic Gulf organization, considering the distance of its properties from the American market, is the fact that, through contracts made with the United States Shipping Board, the company is assured of an adequate tanker supply, at least until such time as its own tankers will have been constructed and in operation. Under the contract the Shipping Board is to furnish the Atlantic Gulf Oil Corporation with sufficient tankers to transport 20,000 barrels of oil a day of the company's production from the Tecomate terminal; and additional tankers to transport another 15,000 barrels of the company's production from a second terminal.

This contract was made desirable, from the Shipping Board's standpoint, through the fact that the Atlantic Gulf Co. was one of the few producing companies under American direction with a sufficiently large production to warrant its offering crude oil to the board under the bids recently requested.

Besides the tankers chartered to the Atlantic Gulf Corporation under the above plan, the Shipping Board has allotted four other tankers to the company for its own private use.

The construction of 14 other tankers by the Atlantic Gulf Corporation, is proceeding rapidly—so rapidly, in fact, that the company counts confidently on starting deliveries in its own ships by July or August of this year.

Equipment and Outlook

From the standpoint of operating equipment, the Atlantic Gulf Oil Corporation is well provided for. There are now under construction two 10-inch pipe lines which, when completed some time this year, will be 35 kilos in length and provide a net ultimate capacity of 60,000 barrels a day. This line will run between the company's wells and the leading terminals at Tecomate, Mexico. Two large pump stations, each having a capacity of 40,000 barrels a day, are being erected in the field; and at the loading terminal a master pumping station is in course of construction which will be capable of pumping at the rate of 6,000 barrels an hour on board the company's tankers. Twelve 55,000-barrel storage tanks for crude oil are also under way, as well as four 10-inch lines connecting the loading station with the loading berths for tankers, located more than 4,000 feet from the shore.

Considering the size of the Atlantic Gulf Corporation's production, the richness of the field it is operating in, and the ample equipment it already has—or will soon have—it seems reasonable to consider the stock as offering considerable speculative possibilities at its present price of around $80 a share. Figuring on sales for the company's first year of 16,500,000 barrels, President Joseph F. Guffey estimates that earnings of the company for the current year will amount to not less than $10,000,000, contrasting with fixed charges on the present capitalization amounting to only $450,000 a year. This, if realized, would mean earnings of over 45% on the stock.

Nipissing Mines
Kerr Lake

La Rose Mines, Ltd.

Cobalt Silvers in Good Position

Favorable Outlook for Silver Stimulates Interest in Prospects of Prominent Producers

SILVER is quoted around $1.20 per ounce at this writing, and although it will naturally fluctuate from the present price, bullion dealers and bankers express the opinion that the metal will probably rise considerably higher. In view of this position of the metal, it is natural to review the records of some of the better known silver producers with an eye to their market possibilities.

The present value of a mining company's shares depends first of all upon the physical condition of the property. The stability of this value, in so far as natural causes are permitted to influence it, rests upon the quantity and quality of ore in reserve, and the ability of the management to maintain this reserve by means of a consistent policy of development. Hence, a spectacular record of production in past years, however regular it may have been over a considerable period of time, is not in itself a criterion for the future. It is important to be informed regarding the mine's physical ability to maintain such production. Unfortunately, the published reports of mining company affairs often fail to present sufficient detail regarding the mine's physical condition to enable the average investor to pass judgment on the value of the operating company's shares, and he is at the mercy of such official statements as the officers of the companies see fit to issue, and such gossip and rumor as he may be able to gather from those supposed to have information as to what is going on in the underground workings.

> **SPECIAL MINING ISSUE**
>
> **Our next issue will be a Special Mines and Metals Number. It will contain important articles in regard to the outlook for the various metals; the relation between metal prices and the increased costs of mining; interviews or articles from important men in the mining field; and numerous analytical articles covering leading mining securities. This will, of course, be in addition to our usual articles and departments covering other sections of the financial fields.**

With these facts in mind, the present or prospective holder of silver mining company's shares is interested in analyzing properties which merit attention.

Nipissing's New Enterprises

Nipissing is one of the most spectacular silver producers of recent years, and its annual and monthly reports are of absorbing interest to those who are following the present performance and future plans of this well-managed enterprise. Its last annual report showed a net income of $1,806,695 earned on the $6,000,000 capital stock, equivalent to $1.50 a share, as compared with a net income of $1,775,371, or $1.48 a share in 1918. It maintained its annual dividend of the past few years, namely, $1,800,000, or 30%. The company's record monthly production was in December, 1919, when it mined ore reported to have a value of $423,139, and shipped products from the Nipissing, and customs ore, of an estimated net value of $449,758. This production compares with $350,208 in November, and $275,247 in October. Recent underground development is reported favorable, and the ore reserve is maintained at around the equivalent of 6,000,000 ounces of silver, or approximately two years' supply at the present rate of production. Preliminary development work on vein No. 109 of 96 tunnel has been satisfactory, work on vein No. 99 is promising, and vein No. 230 has been opened by a cross-cut driven to connect 63 shaft and 96 tunnel.

The company follows the policy of holding in reserve a large fund for working capital, amounting to about $4,000,000, suggesting an ambition to provide for the future in such a way that liquidation of the company may not become necessary when the commercial ore in the present property has been exhausted, but that it may perpetuate its organization for the purpose of acquiring and operating new properties, or engaging in new enterprises. For several years the company has been mining an ever-increasing tonnage of lower grade ores, as the remnants of its high-grade ore have been worked out. Along with other mining companies, it has suffered from increased cost of labor and supplies, but this disadvantage has been offset to considerable extent by the rise in the price of silver.

The company continues systematic search for new properties, and is not limiting its activities to metal mining. It has already drilled two wells on its oil property in Texas, both of which will be sunk to a depth of about 3,500 feet with the prospect of tapping the Ranger pool.

During the past year the price of the company's shares has ranged between 8¼ and 15¼; the present quotation is about 10⅛.

Kerr Lake Acquires New Properties

In view of recently published reports of rapidly declining ore reserves in the face of a production of a little over 100,000 ounces of silver per month, it is apparent that this company's future as a silver producer is limited. As the company's reserves of silver ore approach exhaustion, the operations are naturally conducted on a hand-to-mouth policy, and the maintenance of production rests on development work now in progress. On account of the uncertain life of the mine under such conditions, the company is following the common custom of making a vigorous search for new mining ventures in which to employ its large cash resources.

The company has recently acquired a majority ownership in a silver mine in Utah, and also a gold dredging property in New Zealand. The Utah property has been equipped with a 150-ton mill. The ore reserves are estimated at 87,000 tons, averaging 18 ounces silver and 80 cents gold per ton, and the outlook for favorable future development is good. It is estimated that the ore will be mined at a net profit of $9.50 per ton, and that the annual earnings from the property will amount to $265,000, equivalent to about 45 cents per share on Kerr Lake's issued capital stock.

The New Zealand property has been carefully tested, and it is estimated that the area thus far drilled will net a profit of $3,436,000 after deducting cost of property and equipment. Kerr Lake's two-thirds interest in this property will amount to approximately $287,000, or about 50 cents per share, according to present estimates. The property is now being equipped with a dredge, which should be completed by next spring.

Besides the money already invested in new properties, the company has on hand as of February 29, 1920, in cash and Government securities alone, $2,415,027, or a little over $4 per share on the outstanding capitalization.

During the past year Kerr Lake shares have ranged from 3¾ to 6, and the present quotation is around 4¼.

La Rose Mines

La Rose Mines, Limited, is one of the smaller operating companies in the Cobalt district, with promising possibilities. It owns the stock of Lawson Mines, Limited, the Violet Mining Co., and University Mines, Limited. Last year the gross value of the ore produced was $356,124; total cost of mining and depreciation, $325,920; net profit on production, $30,204; other income, $21,532; total income, $51,-736; profit and loss surplus, $514,424.

Development in the Violet property has been favorable, and it is reported that promising additions have been made to the ore reserves. Recently, a vein of rich silver ore has been opened on the 155-foot level of the University property. The vein is reported to be 6 to 8 feet wide, of high grade milling ore, containing a 2 to 4-inch streak of almost native silver. Like other Cobalt properties, the ore reserves of La Rose are believed to be shrinking, but the speculative possibilities of new development are said to be attractive.

During the past year the shares have ranged from between 25 and 62½ cents, and the present quotation is about 40.

JEROME VERDE TO ISSUE NOTES

We have frequently called attention to the situation in Jerome Verde Copper Co., which has issued a call for a special meeting of stockholders at Phoenix, Ariz., on May 18, 1920. The purpose of this meeting is to authorize an issue of $500,000 in 6% notes, of which $260,000 are to be offered to the stockholders of record on May 18th in proportion of $5 in notes for each hundred shares or fraction of stock held.

A shaking out and squeezing out process has been going on in Jerome Verde for some time. We do not say who has been doing this, but whether intentional or otherwise, the effect on stockholders has been the same. The shares have been depressed and trading discouraged. Quotations on the New York Curb, where the stock formerly had an active market, were seldom reported in the newspapers and any buying was promptly met with liberal offerings by those who apparently knew more about the situation than the small stockholders.

However, we have many reasons for believing that Jerome Verde will prove to be a mine, for it passed the prospect stage long ago and any one who reads between the lines of the company's circular of April 15th can see evidences of thinly veiled enthusiasm.

Our advice to stockholders is that they send in their proxies (so as to assure a quorum) and subscribe to all the notes to which they are entitled and then some, for we believe this $260,000 will put the company on a paying basis, and that in the course of time it will measure up in quantity and compare favorably in quality with some of its great neighbors. It is just a question of how long the dominant interests are going to hide the facts behind the sage brush.

INVESTMENT FEATURES OF BONDS OF NEAR-DIVIDEND RAILROADS

(*Continued from page* 984)

to $75,000,000 may be issued but at a rate not to exceed 6% The mortgage is secured by a first lien on 1,821 miles of road, first collateral lien on 12 miles, third collateral lien on 199 miles of Canadian road, and is also secured by 227 miles of leaseholds and trackage rights and by the stocks and bonds of several terminal companies. The mortgage is subject to $5,870,000 prior liens, and the bonds are outstanding at the rate of $16,733 a mile, including only mileage covered as a first lien.

Of the Western Pacific first mortgage fives, $50,000,000 is authorized, $20,000,-000 issued and the remaining $30,000,000 may not be issued to bear more than 6% interest. They are secured by a first lien on 1,022 miles of road, or at the rate of about $20,000 a mile. Partial findings of the Interstate Commerce Commission indicate that a valuation of about $90,000 a mile will be found for this property.

Cleveland, Cincinnati, Chicago & St. Louis general mortgage fours around 66½, with 73 years to run, yield about 6%. Pere Marquette first mortgage fives around 82, with 36 years to run, yield about 6.25%. Western Pacific first mortgage fives around 81½, with 26 years to run, yield about 6.45%.

Each of the three foregoing bonds has certain advantages over the others. The Big Four general fours are non-callable, the Pere Marquette fives are callable at 105 and the Western Pacific fives at 100. If one concludes that we are soon going into a long period of comparatively cheap money, there is an obvious advantage in having 6% for 73 years as against 6.25% for 36 years.

It is quite within the range of possibilities that money in the next few years will become cheap enough to warrant Western Pacific in calling its bonds at par, but this is not a contingency that need to worry the bond buyer, for then the return on the investment would be greater than indicated by the yield.

As for dividend prospects, I think it must be conceded that Big Four's are better than those of the other two. On the other hand, its bonds are selling to yield less. All three issues are amply secured by assets and past and prospective earnings.

RELIEF IN MONEY MARKET IS ONLY TEMPORARY

Return to Tight Money Conditions Likely Next Fall—Underproduction the Reason

Interviewed by the *N. Y. Tribune*, John E. Rovensky, vice-president of the National Bank of Commerce, said recently:

"The rates at which recent issues of the Pennsylvania Railroad and the New York Central were placed upon the market are clear indications that a new and higher level of returns upon invested capital has been reached. The causes, direct and indirect, are many, but the most important are the destruction and the reduced production of capital during the war. Not only were battle areas devastated and man-power destroyed, but normal construction was checked, depreciation was not made good and the storehouses of the world were bared of essential commodities. Prices rose—then wages, and the mad price-wage spiral started. Government loans, placed not with savers but with borrowers, occasioned a period of credit inflation, during which, for reasons of public policy, interest rates were kept at artificially low levels by the Federal Reserve banks. The creation of credit outstripped the production of goods.

"It is apparent that the world's primary need is capital. The world is short of capital, and the lack of it is elevating interest rates. Whether 7 per cent on such prime securities as those I have mentioned, with relatively higher rates on others, is sufficient to equalize the supply and demand remains to be seen.

"While there are indications that some temporary relief from the present tight money market may be expected during the summer, there are others that seem to forecast money market conditions in the fall even less favorable than exist at present. The peak of commercial borrowings has been reached on the spring movement. The indications are, however, that the fall peak will be even higher. Under prewar conditions such conditions would have been rather disquieting, but with our credit facilities organized under the Federal Reserve system—the best banking system in the world—we can rest assured that every loan necessary for the production or merchandising of essential commodities can be taken care of, but at high cost."

EFFECTS OF EXCESSIVE BANK LOANS

When the excess of bank loans over deposits is large it shows that there is a strong demand on the bank for loans and that the loan account is "inflated," or larger than it naturally would be if business conditions were perfectly sound. In other words, it is a danger sign.

American Cotton Association Works for Better Prices for the Farmer

Producers of the Raw Material Now Organizing to Demand Fair Treatment—Regeneration of the South Should Follow Success of the Movement

By **W. M. STEELE**

A NEW economic force is coming into being in the South. It is the American Cotton Association, an organization mainly of the cotton producers, but designed to include in its active membership bankers, merchants, professional men—in fact every one in the cotton belt who has even the remotest interest in the prosperity of the cotton industry.

This organization is the outcome of a preliminary meeting in New Orleans last May, and of the World's Cotton Conferences held in New Orleans last October, and since that time the work of building upon the skeleton organizations in the several cotton states has been progressing to such an extent that, as a force, it is already being felt.

The basic principle of the American Cotton Association is to get a fair price for the cotton produced by the farmers of the South—and by a fair price is meant a reasonable margin of profit over the cost of production. And in establishing conditions that will realize that hope, it is expected much can and will be done incidentally to improve economic conditions throughout the South.

The new light of hope is being held out by John S. Wannamaker, a practical idealist, a hard headed altruist, who has been chosen for the leadership of this great movement, and he has put his wonderful energy, his brains, and his money into it, breathing into it the vi ifying life which means the regeneration of the South. He will get out of it only the consciousness of having done something for his fellow man, and such honor as may come to him as the leader of a great cause. That will more than satisfy him.

What the Proposition Is

It is a very simple proposition that is being put before the Southern cotton farmers, and it is not a new one. It is simply the question of marketing their product intelligently, feeding the mills with cotton as the demand exists. This proposition has been put into force by nearly every other agricultural group in the country, with amazing success, and the cotton farmer is the only one who has been unable to grasp its logic. But he sees the logic of it now, and he is waking up to the possibilities. He has been deluded often enough in the past. He has seen organizations, born with a great fanfare of trumpets, die soon after. He has contributed to these, time after time, with no result.

But this time it is different. Even while the American Cotton Association is in process of formation, the cotton farmer has realized that a great force has been created for his benefit, and he has had concrete results.

And now this light of hope has come into his life, and he is already regenerated. He does not stampede at the publication of palpable bear propaganda. He is holding some of his cotton for a time later in the year, when he knows the market will be bare, and he will reap some of the profits himself, instead of leaving the opportunity open for the speculators and manipulators, who have juggled him out of these profits in the past. They are howling,

Two of the greatest difficulties of the cotton farmer have been the high cost of credit which he needed while raising the crop, and lack of storage space to enable him to hold his cotton for a satisfactory price. The American Cotton Association aims to remedy these handicaps by combined action.

Mr. Steele, the author of this article, now connected with the Association, is widely known as the former managing editor of the New Orleans *Times-Picayune*. Born and raised among the cotton fields, he knows intimately both his subject and the prominent men who are fathering this association.

naturally. They say he is a profiteer. They say he is ungrateful, because in 1914 when the big war came and the cotton market blew up, the "buy a bale" movement helped tide him over his distress. They forget that only an infinitesimal portion of the crop was bought in this philanthropic manner, that every bale so bought was sold at a good advance. They say he is planning to reduce his production just at a time when all the world wants cotton. They point to the cost of the manufactured article and blame him for it, when as a matter of fact the mills never before made so much money, and the farmer has hardly paid his expenses. They ignore the big discrepancy between the cost of the raw material and the selling price of the manufactured article.

Organization Perfecting Rapidly

As the organization is being perfected, practical plans for the cotton producer are being put into effect. Organization is necessary as a preliminary, however, and that is progressing well, notwithstanding the opposition of those who have bled the farmer in the past, and don't want to see conditions changed. Every cotton state has perfected its state organization, and is engaged in spreading the gospel of organization into every nook and corner of that state.

Some states have made better progress than others. Louisiana, for example, has an organization in every parish where cotton is produced, and these parish organizations in turn are subdivided into ward and school district committees, which are combin

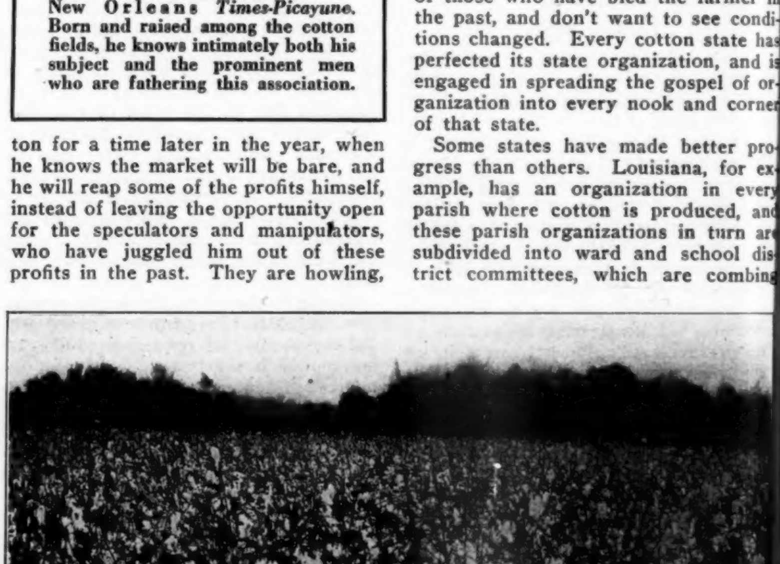


Photo Underwood & Underwood.

A MISSISSIPPI COTTON FIELD

Picking is one of the most expensive operations in cotton production. The cotton fa out easily and the gathering of dead leaves and twigs lowers the quality of the crop

their neighborhoods for enrollments the American Cotton Associatio There are three classes of members charter members, who pay $100 f three years; production members, w pay 25 cents per bale per annum on t basis of their 1917 production; a

professional and lay memberships, $3 per annum. A goal of one million members has been set, and it is not an improbable one. There are 800 cotton counties in the South, and they should average at least 1,000 memberships each. One county already has 2,200 members. When that great number of men becomes imbued with one idea, and realizes the forces behind that idea, it will be the master of its own destiny.

How will that great force be applied? Those who have filched the profits of the producer in the past, judging them by their own grasping, conscienceless selves, fear retribution. It would be natural under the circumstances. But the men who have laid the foundation of this movement are big men, men with a broad vision, and men to whom the word "Right" still has a concrete meaning. They aim to adjust things so that the producer will get his share of the profits of his labor, and having done that, they will leave the ultimate consumer to deal with the spinner, when he takes more than his just share of the profits of manufacture. It is a case where might makes right, and the only way to get right is to create the "might" in the form of the American Cotton Association.

Building warehouses is the first problem which must be solved to meet the situation. When organization is well under way in any county then the farmers are impressed with the importance of proper warehousing facilities and they form a company or coöperative concern, and build a warehouse under the general specifications of the warehouse act. These warehouses obtain minimum insurance rates, and the cost of storing cotton in them is reduced to a minimum. There will be government graders there to give certificates, and these certificates form a good bankable security. It is estimated that the South loses from $75,000,000 to $100,000,000 a year as the result of damage to cotton allowed to lie out in the fields, or in yards, unprotected from the elements. Warehousing will entirely eliminate this damage, and loss. With his cotton safely stored, and having a certificate upon which he can borrow all the money he needs for his immediate wants, the cotton farmer will be independent. When ready to sell, all he has to do is to sell his certificate. Under such conditions, it will be easy for the farmer to feed his product to the market to meet the demand, instead of glutting the market with his entire crop in two or three months.

The central organization plans to create a force of experts who will be stationed in both the producing countries and in the spinning centers, and these men will send frequent reports to headquarters, where they will be compiled and sifted, and summarized, and the results furnished to every county organization periodically. It is also planned to publish a journal, which will be sent free to every member, which will be edited by experts, and men who have the interest of the producer at heart, instead of catering to the speculative element. With their fingers on the business pulse of the entire cotton world, the national board of directors will be able to form judgment on conditions, and to formulate advice to the farmers, which is bound to be accepted, so long as there is confidence in the men at the head of the movement. Mr. Wannamaker has that confidence now, and so long as he is the guiding hand, so long will the pronouncements of the American Cotton Association have weight with the members.

Photo by Underwood & Underwood.

COTTON PUBLIC WAREHOUSE AT NEW ORLEANS

One of the first steps in the move to give the farmer better prices is the erecting of more warehouses to handle the baled crop

The Force of the Movement

The greatest concrete proof of the force of the movement, young as it is, is the remarkable discrepancy between the price of spot cotton and the future quotations. The future market, manipulated by the speculators who have sold short and do not see the actual cotton in sight with which to cover, has been swayed by the bearish propaganda put out by the English and American spinners and the speculators, while the spot market has stood its ground, only slightly affected by the changes. This was notably the case when the threat of an embargo against American cotton was made in January, which threat was shown to be pure bluff, in statements issued by President Wannamaker and W. B. Thompson, the chairman of the Louisiana Division. The establishment of a great spot market in New Orleans is one of the dreams of Mr. Wannamaker, and he has already procured the endorsements of the project by leading men in many of the other cotton states. Naturally, those who have been reaping great profits by manipulating the future markets, and the small fry speculators who have used it as a gambling scheme pure and simple, are not enthusiastically in favor of this, for they foresee the time when they will be like Othello, "their occupation gone."

The great argument in favor of a future market in the past has been to assure the spinners a supply of cotton, and as the farmers have to sell to the spinners, naturally they were made to believe that their interest was one with the spinner, on this question. But it has turned out that the producer has been the goat, and he is beginning to realize it. When there are enough warehouses in the South to store a large proportion of the crop as it is gathered, and the spinners can send their buyers out into the cotton belt and buy as they need the cotton, it will mean the transference of the cotton market from the English and American spinning centers to the cotton fields, the proper place for the market, and the place where exists the market for every agricultural product except cotton.

The cotton farmer is not a profiteer, and rightly resents being called one. He does want a fair return for his year's labor, and is willing to be governed in that by the law of supply and demand. He is fully justified by all the laws of fairness and equity, in planting a crop just large enough to meet the demand. He has been a fool in the past, in failing to take note of the world conditions and being governed accordingly, but he has had his eyes opened, and when he fully awakes, and girds about his loins the armor of unity, he will stand forth ready to demand and command a fair deal.

There have been many insidious influences at work to discredit the American Cotton Association, but these have failed of their purpose, because the men at the head of the movement have kept their eyes forward and have been able to establish in their following that confidence which means success. When the tremendous force as represented by several hundred thousand members, if not the million as hoped for, is once created, it will be irresistible, but under wise and honest leadership, it will work for the regeneration of the whole South, and the prosperity here will be reflected over the entire country.

Striking at a New Slavery

The people of the North stood horrified at the slavery of ante-bellum times,

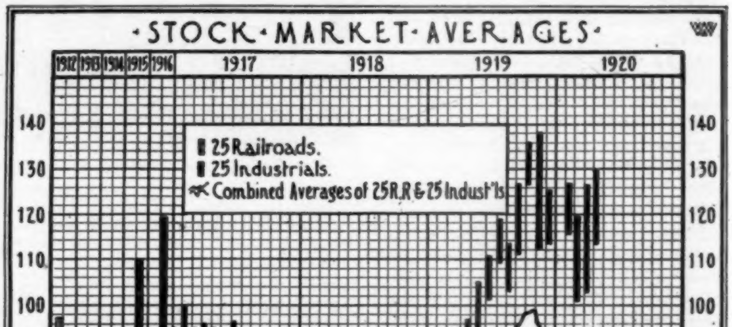
but they are blind to the more horrible slavery that the great mass of the population of the South has been struggling under, during the past sixty years. Whites and blacks have suffered alike. It has been as oppressive and as grinding as any human slavery that ever existed in the world. The shackles have been forged by twelve middlemen who have had their rake-off from every bale of cotton grown. The dawn of liberty is here, and these twelve oppressors are trembling, for they already sense their own elimination in the scheme of things affecting the growth and marketing of cotton.

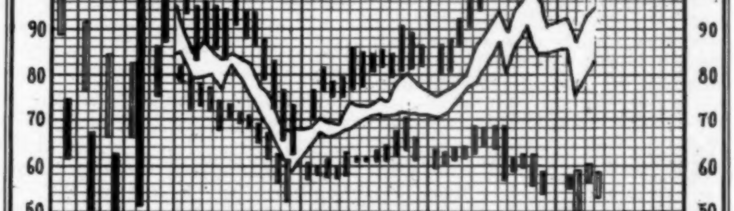
Following in the wake of the boll weevil, the pink boll worm has come out of Mexico, and threatens the whole cotton industry of the South. While the boll weevil was not an unmixed evil, in that it has taught the Southern farmer the necessity of diversification, that is, raising his own feed and foodstuffs, the new pest has nothing to recommend him, and if he gains any headway, the cotton industry is doomed. Official figures on the cotton production of Louisiana for 1919, show that only 93 pounds of lint were produced to the acre. In other words, five acres produced less than one bale of cotton. In many cases the production was much less. I have personally talked to farmers who have gotten only seven or eight bales from sixty acres. In one case, nearly a thousand acres produced only 25 bales of cotton.

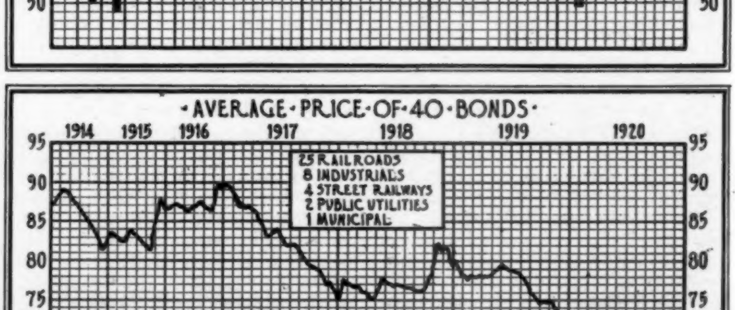
The discovery of the pink worm in the southwestern parishes of Louisiana, shows that this pest is following the same course the weevil did. It has been in Texas two years, having come in through a shipment of Mexican cotton intended for export, which was shipwrecked, and the cotton salvaged when it washed ashore in the Trinity Bay district. The government has done everything possible to stamp out the pest, and it was thought to have succeeded, but it reappeared in the originally infested area last year. Department of Agriculture experts are on the ground, and with the proper cooperation of the Texas Legislature, hope to eradicate it. In Louisiana, there will be no temporizing. The Louisiana Division of the American Cotton Association called a meeting of scientists and farmers soon after the pest was discovered in Cameron parish, and plans laid for a vigorous campaign against it. A non-cotton zone will be established around the infested area, and every particle of seed, cotton and stalks will be burned. A referendum of the Louisiana Legislature has already been taken, on a joint telegram signed by Governor Pleasant, Governor Elect Parker and Chairman W. B. Thompson, and assurances have been given of the necessary legislation and appropriation to compensate the farmers of Cameron who will be sacrificed to save the remainder of the state. The prompt action taken by the Louisiana Division, illustrates one of the many ways in which the American Cotton Association can and will be of service to the cotton producers.

MARKET STATISTICS.

	N. Y. Times	Dow, Jones Avgs.		N. Y. Times 50 Stocks		
	40 Bonds	20 Inds.	20 Rails	High	Low	Sales
Monday, Apr. 12..........	69.10	103.94	74.76	92.33	90.51	1,174,500
Tuesday, Apr. 13........	68.87	104.61	74.86	91.96	90.39	1,032,600
Wednesday, Apr. 14	68.60	105.18	75.40	93.14	91.55	1,281,422
Thursday, Apr. 15........	68.58	104.41	74.86	92.36	90.46	1,323,730
Friday, Apr. 16..........	68.38	104.73	75.16	92.09	90.80	1,008,422
Saturday, Apr. 17........	68.48	104.45	75.30	92.33	91.45	447,098
Monday, Apr. 19........	68.25	101.87	74.56	91.58	89.10	1,359,900
Tuesday, Apr. 20........	68.21	99.48	73.26	88.89	86.74	1,670,400
Wednesday, Apr. 21......	67.87	95.93	71.64	88.09	84.06	2,060,300
Thursday, Apr. 22........	67.64	97.15	72.39	85.91	83.12	1,927,300
Friday, Apr. 23..........	67.49	95.46	71.65	86.13	83.61	1,438,800
Saturday, Apr. 24........	67.30	95.76	72.01	85.19	84.08	480,600







To April 22.

Official score at the moment of going to press is 550 to 0 against the shorts in Stutz.

Chronic complaint is that everything with a price attached to it is selling too high. But how about Liberty Bonds?

A lady from Hoboken asks us if we think she should let her husband gamble in cheap oil stocks. Our verdict is, if a man living in New Jersey can't find anything better to do with his money nowadays he isn't worth saving.

There Are More Ways Than That

Speaking of books on finance, how would this do: "Sixteen Ways of Organizing an Oil Company Without Personal Liability"?

Resumption of tourist travel to Europe is noted. We may now expect modernized versions of (1) the glorious American, and (2) the dollar proud Yankee.

Not Good Finance

A famous financier was taken seriously ill at the age of 90 and felt that his end was near.

"Nonsense," said the doctor, "the Lord isn't going to take you till you've passed the hundred mark."

"No, my friend," said the aged banker, "that wouldn't be good finance. Why should the Lord wait till I reached par when he can pick me up at 90?"—*The Argonaut.*

360 Years Would Be Light

A magazine writer has been sentenced to three years and six months in Sing Sing for selling worthless stocks.

Lucky for him he wasn't tried for selling manuscripts!

"The Easter parade after paying income taxes"
—*From The Cashier*

Not Always

"I suppose Liberty Bonds are always a safe investment." "Yes—unless they are entrusted to a Wall Street runner."

Some Strikes We'd Like to See

Hat-check boys.
Fake stock salesmen.
Subway ticket takers.
Editorial staffs—for 3-hour day and $90 an hour.
Assignment editors.
Non-cumulative telephone operators.
Motor cycle traffic police.
Oil by the Southwestern Wyldkatte Co. (we own some stock).

Borrowing Trouble

A merchant doing an extensive trade came to a friend recently and offered him 3% a month for a loan of $100,000.

"No business can stand such a premium for money," said the second merchant.

"My business will justify paying any rate of interest," said the first merchant.

"Why discount for a short time?" asked the prospective lender. "Why not make it for two or three years? I will discount your note for $100,000 if you make it three years."

"Thank you, thank you!" said the other, relieved.

"John, draw up a note," directed the lender to his bookkeeper, "and take off the discount of 3% per cent a month on $100,000 for three years, and draw a check for the balance to our friend here."

Presently the bookkeeper handed his employer a memo which he glanced over.

"Have you a blank check with you?" he asked the borrower.

"A check? What for?" asked the other.

"Why, John's statement shows that if I discount your note for three years at 3% a month you owe me $8,000."—*The Cashier.*

Bond Market Note

Harry Brandon, who walked into Macy's department store March 27, hung up his hat and elected himself a clerk long enough to get possession of an overcoat which a customer had left for alterations, was sentenced yesterday in Special Sessions to not less than six months and not more than three years in the penitentiary.

"I am a bond salesman and I had to make a good front," Brandon said when asked if he had anything to say before sentence was passed. "I needed a new overcoat and I could not afford one at the price asked."—*The Sun and New York Herald.*

Do They Wear Them or Spend Them?

News item: The currency of Esthonia now includes Esthonian marks, Czar rubles, Duma rubles, Kerensky rubles, Yudenitch rubles, Finnish marks, Danish kroner, Swedish kroner, "Ost" rubles and marks, relics of the German occupation, English notes and German marks.

Wall Street Term Illustrated

A bearish situation

Exercises for Business Men

Rise 7 A. M.

Stand in the middle of room, raise arms slowly overhead, take deep breath and say "Damn the taxes," lowering arms in attitude of despair. Ten times.

Extend body flat downward on floor, cover eyes with hands, kick heels, think of the railroads and weep, till dry.

Kneel, wring hands, meditate on the unions and groan 150 times.

Assume sitting position, hands on hips, sway gently to and fro and concentrate on Mr. Burleson until a generous frothing at the mouth sets in.

While cooling off try to get a number on the telephone.

Observe this simple régime every morning before breakfast and you will reach the office with most of the cares and troubles of the day already out of your system.—*Exch.*

Miracle It Is

Said Chauncey M. Depew recently: "I have been 54 years with the New York Central and at 86 years of age I am the senior of any railroad man in active service in the world. A friend of mine, also of my age, who did not look his years, went to the Yale commencement, and one of the younger undergraduates said to him, 'What class are you?' He named it. The undergraduate said, 'You ought to be about 85 years old, then, or more.' 'Yes,' said he, 'that is what I am.' 'Well,' said the young fellow, 'if that is so, there is one of two things: you are either a miracle or a damned liar."

Latest news from the Broad Street front: General Ryan, having consolidated his position, is now bombarding the entrenchments of the Board of Governors.

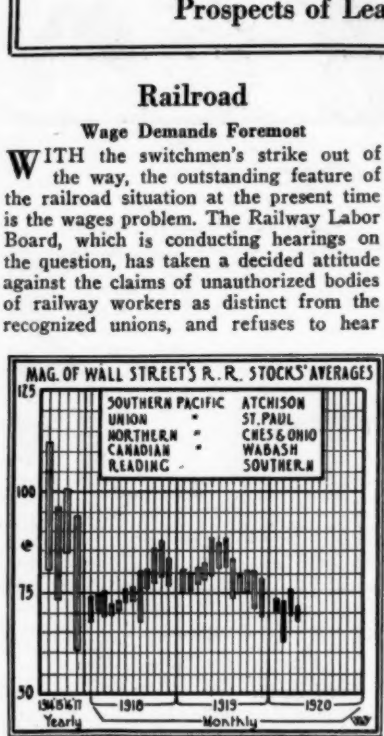
Trade Tendencies

Prospects of Leading Industries As Seen by Our Trade Observer

Railroad

Wage Demands Foremost

WITH the switchmen's strike out of the way, the outstanding feature of the railroad situation at the present time is the wages problem. The Railway Labor Board, which is conducting hearings on the question, has taken a decided attitude against the claims of unauthorized bodies of railway workers as distinct from the recognized unions, and refuses to hear



To April 21.

them separately. The unions have presented their demands formally, and they are now under consideration by the Board.

The recent strike has demoralized traffic to such an extent that it is difficult to say just when normal conditions will prevail again. Embargoes on rail and water shipments that had to be put on during the emergency have resulted in the accumulation of great loads of goods that must all be moved soon, resulting in an even greater strain on the transportation facilities of the country than heretofore and very probably intensifying the car shortage to a point where it is indubitable that many industries will suffer thereby.

The prestige of the "outlaw" leaders has been seriously damaged, and the probabilities are that subsequent discussions of the railway wage problem will be conducted along more orthodox lines. The unions have correspondingly gained in strategic position by their steady hostility to the strike from its inception to its final breakdown.

Much is being accomplished in the rehabilitation of the passenger and freight business which has suffered because of the strike. Movement to the piers particularly is progressing encouragingly, and commodities, especially perishable foodstuffs, are coming into the larger cities in great volume.

Financial Considerations

There is little doubt, however, that the strike has been a great blow to the railroads, as well as to industry in general, the more particularly to those roads which elected to operate for their own account without accepting Federal compensation. Financial difficulties are coming to the fore with the decision of the Interstate Commerce Commission to adopt a strict interpretation of the Transportation Act in giving financial help to the short-line railroads, which intend to appeal from the decision.

Recent large financing by two important Eastern systems, laying down a 7% basis for well-secured railroad bonds and equipment notes, have shown how serious the problems of financing are for the railroads in general, as there is little doubt that if the large security issues needed to provide more capital for the railroads are to be floated at a minimum 7% basis, even prohibitive rate increases may not solve the problems of the railroads' welfare, as they might well have to be fixed so high as to hurt business and consequently freight movement.

Stabilization of the investment market may prove to be one of the fundamental necessities of the railroad situation, and a preliminary to any large-scale constructive action.

Coal

Labor Problems Still Unsettled

In spite of the findings of the Bituminous Coal Commission appointed by the President, all is not well yet in the labor field. Some groups are not satisfied with the award, and open discontent has led to the arrest in Kansas of the leader of the insurgent miners. Unofficial strikes are springing up, but President Lewis of the United Mine Workers has declared he will try to bring about a settlement of disturbed conditions within the intent of the Commission's award.

The railroad switchmen's strike has had grave results which will undoubtedly be shown in the forthcoming weekly production reports of the Geological Survey. It has intensified the car shortage which was holding back production as it was, and has more directly hindered output by the walkout of a number of mine switching crews in sympathy with the railroad men.

The embargoes imposed at the time of the strike caused the piling up of coal at the mines to a point where it will be difficult to move the accumulations for some time, probably resulting in a decreasing output for a short period. Harbor men's strikes hindered water shipments at the same time as the rail strike, thus putting out of commission a possible alternative.

Prices did not soar in the way that some expected, the situation being that the operators tried to stand pat as much as possible, with few exceptions, while coal buyers were bidding up prices furiously in the attempt to get what little coal was available. The market was firm and strengthening, of course, in view of the short supply, but advances were moderate, even in the export coal trade, where the demand is particularly active. Coal freights have been raised, but this does not seem to have done much injury to the export and bunkerage trade.

Now that the movement of coal is somewhat freer, contracts are being entered into more widely, though producers are finding it difficult to withstand the buying pressure which has entered the market. Some further advances may reasonably be expected, though it has been pointed out by the official organ of the workers that the wage increases awarded are not such as to necessitate an immediate and sharp advance in coal prices. Declining production, intensified car shortage, leading to a decrease in the available supply, and a strong foreign and domestic demand give great strength to the bituminous market.

It is expected that production will continue during the summer on a larger scale than for some years past, as it is believed that the deleterious effects of the coal strike of last year and the switchmen's strike cannot be made up for some time if the summer slack in coal production is permitted to become as great as in past years. It is also expected that the public will have been educated up to the advantages both to consumers and producers of buying coal in summer, so that it will not be difficult to dispose of the summer's current output.

The Anthracite Situation

Amicable discussions between the hard coal operators and the miners have reached such a point that a tentative agreement may have been announced by the time the current issue of THE MAGAZINE OF WALL STREET is out. To date the statistical and preliminary arguments have been completed, the miners trying to prove that only a wage increase of 60% and the other concessions they demand will give a satisfactory standard of living to the miner, while the employers, believed to be convinced that a wage increase is necessary, are by no means convinced that the increase need necessarily be of the size demanded by the miners.

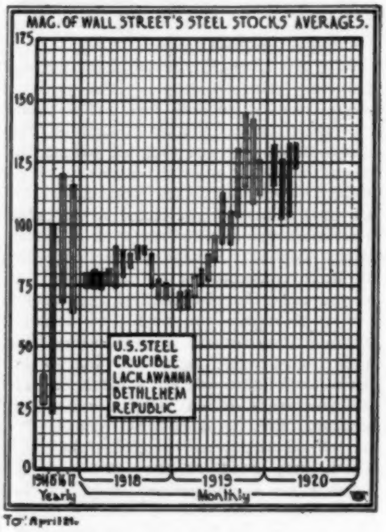
Market conditions in the anthracite industry are very good, a strong demand having appeared so that price ranges are very irregular. Many coal sellers are making contracts subject to increases following the announcement of the wage agreement now under consideration, but in spite of these uncertainties buyers are ordering freely. Prices generally are firm, with an advancing tendency, though some of the higher-priced coal is sold with a stipulation that a certain amount will be refunded in the event of a wage award lower than that expected. In general, the hard coal industry is in good shape, production being maintained as well as could be expected in view of the transportation strike.

Steel

Transportation and Prices

The shortage of steel, steel products, iron, ore, coke and the accumulation of unwieldy masses of the current output of these at their points of production during the switchmen's strike brought about a condition a good deal similar to that prevailing in the early part of the year. The results were almost similar, too, prices for current delivery climbing up in a narrow market with buyers bidding up premiums.

This condition is now being alleviated to such extent as the prevailing car shortage makes possible, but a recesssion to prices quoted before the strike does not seem likely for some time. The advance has been general, all along the line from raw materials to finished products, and is sustained by decreased production, an insistent demand, and difficulty in transportation.



To April [illegible].

Furnaces are being blown in again, but it will take some time to regain the production lost during the strike when many of them had to be blown out because of inability to get supplies of ore and coke. It is true that this condition was more serious in the Eastern districts than in the West. Loss of production, however, did not keep step with the drop in shipments, so that as a result many plants will have to go slow until they can remove current accumulations.

Prospective increases in the price of coal and, somewhat further off, in transportation costs, are supporting the present price level for steel products. Some easing-off in prices for certain kinds of steel products expected because of the great increase in production facilities does not seem to have materialized, as export demand remains strong in spite of the virtual withdrawal of Japan from the market for some time because of the strained financial situation there.

The Iron Situation

Pig iron production suffered particularly from the strike, because of the difficulty in getting fuel supplies. With the reopening of traffic channels fuel was among the first heavy commodities to move in quantity, but supply is still insufficient and the iron market is in a remarkably strong position at the present time.

Outward movement as we write is almost entirely confined to terminals and yards, indicating that the large accumulations at the plants themselves are still to be moved. Producers have been chary about starting new furnaces because of the uncertainty still prevailing as to their fuel supply.

Prices still show a wide range, differences of as much as four dollars a ton being noticed in prevailing quotations. At the present rate it seems entirely probable that the prediction made some time ago of $50 iron this year will be fulfilled. The reflection of this condition on the steel market cannot fail to come within a short time, unless production starts again at a rate commensurate with the demand.

The outlook is for somewhat increased output with the freeing of transportation and the more regular distribution of raw, semi-finished and finished materials through the different plants. In view of the difficulties still to be overcome and the powerful underlying demand, however, it seems safe to predict at least the maintenance of the levels now reached and possibly slight further advances.

Oil

Shortage Disappearing

Supplies of gasoline and other oil products which threatened to sink to the vanishing point during the switchmen's strike are now being slowly replenished, thus averting the impending famine. Prices were not shot up, however, during the period of short rations, though the oil products market retains its underlying strength.

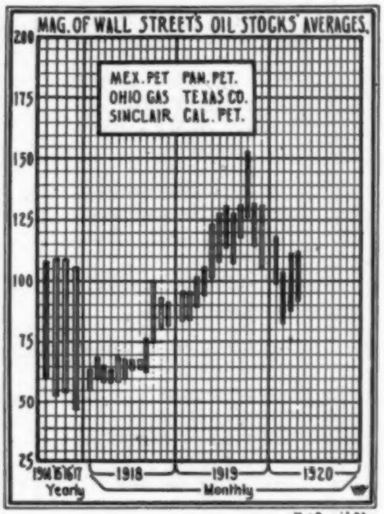
Production is decreasing, according to late compilations, principally because of the decline in output from the North Texas districts and the sanding up of Louisiana wells. At the same time demand is constantly expanding, so that the statistical position of oil is very strong. Stocks available are also declining, so that there is little of a reserve supply of refined oil products in sight in case of an interruption in transportation.

The fuel oil situation continues grave, with insufficient supplies or production to meet requirements and little outlook for an increase large enough to relieve the existing pinch materially. Mexican shipments, however, are coming over in larger quantity because of the increased allocation of tankers to this trade by the Shipping Board. Contracts for fuel oil are not being made to any extent except for some months ahead, and even then the price outlook is considered highly uncertain in spite of the substantial advance in all grades of oil, crude and refined, which has occurred within the last few months.

The Refinery Situation

It is an authenticated fact that the refinery capacity of the country at the present time is well in advance of the oil producing capacity. The demand for refined products is much in excess of their present output, which is limited by American production plus as much of the Mexican output as can be got over to American refineries. The prime consideration of the refiners is therefore where they are to get enough crude oil to keep their plants going, and it was this competitive buying on the part of the refiners that caused the great advance in prices of crude, particularly of the lower grades.

This shortage of crude oil is tending to turn the attention of oil men toward new production rather than toward any other phase of the oil industry. Many large oil companies are in the market for new funds to finance their expansion in this line. As their profits if they strike new oil fields are proportionately larger than in many other lines of business, they can afford to pay more for new funds than companies engaged in industries with a smaller margin of profit, and therefore they are not scared by the present high level of the money market.



To April 21.

While some check may be expected as a result of these activities to the declining tendency in oil production, especially in view of the oil leasing bill and the growing tendency to drill deeper and to redrill sanded holes, it is highly uncertain whether this increase will be sufficient to hold back the advancing prices now general throughout the oil industry.

Cotton

A "Yellow" Peril?

The Japanese scare which proved such effective ammunition for the bears in the cotton market is believed by many to have been overrated as a market factor. Its effect was sentimental in so far as it showed what overspeculation could do even to a country in sound financial position, and to some extent encouraged a tendency to take profits and go slow. The corresponding slump on the Stock Exchange was probably a more powerful factor of the same kind, as far as affecting sentiment goes, and the slight falling-off in foreign exchange confirmed the tendency.

The old crop is almost entirely off the

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market, however, and the interest of the cotton trade is centered on the new crop, which is confessedly more or less of a gamble. Export trade, and for that matter domestic, have shown a relaxation of buying interest which has reacted unfavorably on prices, and both are considered to be in an overbought position. For this reason little support can be expected from them on purely commercial buying. In Manchester and Liverpool little trading interest is manifest, and manufacturers are thought to have sufficiently large stocks to remove them from this market for some time.

New Crop Outlook

While the new crop is still highly uncertain and dependent upon the weather more than upon any other one factor, certain things are known about it already which give some color to the bullish belief in a sixth successive short crop. In the first place, the season began two or three weeks late, and the weather in the cotton States to date has not been of the sort to overcome this handicap. In most of the South there has been excessive rainfall.

Labor for planting has continued to be in short supply and of unreliable quality. It is estimated that the South had 84% of its labor requirements filled last year and 72% this year. A reduction in total acreage planted to cotton would also surprise no one. As a result, other things being equal, the long-pull outlook would seem bullish on the surface of it.

Other considerations of great importance enter in, however, in addition to the weather, which is of course the determining element and which cannot be predicted sufficiently far in advance to be of market value. The tendency toward deflation which is in evidence to some extent, and more particularly the rebellion of the ultimate consumer against high prices for textiles, recalls to many the analogy with Civil War days—the high prices for cotton after the war, the deflation, panic and restoration to normal years afterward.

In addition, the spread between the price of raw cotton and the prices of finished goods made out of it, which has been used by some cotton men as a bull argument in showing that cotton could still advance several points without necessarily involving an advance in the price of cotton articles, could easily work the reverse way. If for one reason or another the prices of cotton goods should come down, they would automatically put a great handicap in the way of cotton prices remaining at their present levels, if the manufacturers and distributors should insist on retaining their present margins of profit, let alone advancing.

Cotton, therefore, seems to be in a highly uncertain position at the present time, with no clear-cut reasons for one price direction which are not counterbalanced by equally powerful arguments for the reverse movement.

Sugar

Runaway Market Checked?

The headlong advance in prices of raw sugar which was started by reports of a smaller Cuban crop than at first anticipated seems to have been checked for the time being as we write. For one thing, the British Royal Commission, which has been buying heavily, appears to have withdrawn from the market, whether because it had satisfied its requirements, or because it found prices going up too steeply for it. Thus one great source of demand has been eliminated.

At the same time new supplies are coming on the market from sources which in normal times are too far away from us to make shipments of sugar to this country profitable. Among these are Czecho-Slovakia, Mauritius, Java, and South American countries like Argentina, Peru and Brazil. While the Cuban crop remains the determining factor in the sugar situation, the incoming shipments from these countries have had some effect in weakening the technical position of the sugar market.

It is not likely, however, that any sudden and decisive drop in the price of sugar, raw or refined, need be expected for some time. While household consumption may be cut to some extent, this is not likely to amount to much, as the present level of wages permits of the use of a necessity like sugar to an extent where it becomes a luxury even at luxury prices. Commercial canners may cut down on their consumption of sugar, in view of the uncertain position of the market, and it is highly probable that domestic canning, confronted at the same time with high-priced sugar and high-priced fruits, will also suffer a decline. The manufacturers of soft drinks and sweets, however, are in a position where they can afford to pay any price for the sugar which they need, as they can pass the increase on to the public, which is consuming more and more of their products. They use about one-third of the refined sugar of the United States, so that the effect of their buying on the market is considerable.

The Refined Sugar Situation

The advance in raw sugar came so fast that many refiners did not have time to adjust their schedules to the new conditions. At one time refined sugar was selling more than three cents a pound below the current quotation for raw sugar. The refiners have found it impossible to stay out of the raw sugar market, however, in spite of the climbing prices of raws, because their supplies of raw were very small and were being depleted by the unexpectedly heavy demand. In turn, their enforced buying did a good deal to strengthen the market and give sellers of raw sugar the incentive to quote higher and higher prices. For this reason, even though 12 cents a pound would show a good profit to almost every raw sugar producer, and a late quotation of 19 cents a tremendous profit, there is a fair possibility that if outside supplies do not prove to be sufficient to break the present inflated market, a resumption of the price advance may take place.

There is undoubtedly also a large speculative element in the present market, both in raw spot sugar and in futures. The large margins between sugar made from raws purchased in February, for instance, and that made from raws bought

this month, has given rise to a considerable amount of activity in sugar brokerage circles, not unattended with talk of profiteering in the process of distribution, including both brokers and retailers.

The refined sugar market, as things stand now, has a margin of advance still to cover to get into line with some late quotations on raw sugar, but the prospects are that the present levels will not be raised for some time, as they are high enough to make possible the entry into this market of sufficient additional supply to bring a downward pressure to bear.

Tobacco

Acreage Reduction Planned

Agitation has been active among tobacco growers for some time looking forward to the reduction of the acreage planted to tobacco. Among the reasons urged are that another large crop will break prices, especially in view of what happened at the tobacco markets this season. There was an active demand for the better grades of the leaf, but the inferior qualities had to be dumped at sacrifice prices, so that it is doubtful if the planters as a whole came out much better than last year.

Diversification of the crops is also urged on the ground that tobacco demands a rich soil and correspondingly impoverishes any soil in which it is grown steadily. The rising costs of other farm products, which the tobacco planter must buy if he does not grow them himself, supply an additional argument to the movement for acreage reduction. Many planters have been growing unusually large proportions of tobacco on their land for a few years, and feeling that a break is about due in the price of the leaf, intend to grow other crops for the coming season.

Of course it is too early to say just what headway this movement has made at this time, but in addition to the arguments based on the planter's interest the shortage of labor and the high cost of fertilizer will probably result in a smaller crop next year.

Tobacco manufacturers are in the throes of a boom at the present time that is giving the industry more prosperity than it has had for some time. Particularly is this true of the manufacturers of cigarettes, of which a great export demand has grown up. Production is being steadily increased, and attempts are being made to head off labor troubles before they start by wage advances which add little to production costs, as labor is only about one-tenth of the cost of production in this industry.

Foreign Trade

The export business in American unmanufactured tobacco, however, has been on the decline for years. To some extent of late the handicaps imposed by the foreign exchange situation have accelerated this tendency, as tobacco is more or less of a luxury and besides is a Government monopoly in many European countries, and hence is among the first to suffer when Governments start to improve their foreign exchange position by cutting down the importation of non-essentials.

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nance Corporation,, however, plans are being worked out whereby sales of tobacco to foreign Governments can be made with the help of banks in the tobacco districts. The method is that the bank borrow money from the War Finance Corporation and lend it to the foreign Government, accepting bonds as security and having a lien on taxes collected by the foreign Government. In this way it is hoped a better market can be developed for the tobacco of the lower grades which has been difficult to dispose of in this country.

In the cigar industry labor conditions continue bad, as employers say the workers' demands are becoming progressively more unreasonable, and plan to close up shop sooner than accept the terms offered. Not only are strikes prevalent and threatening all the time, but the habit is being developed of workers coming in only a few days a week, thus avoiding an open strike and obtaining enough to live on, but embarrassing the manufacturers and utterly breaking up production schedules. The cigar industry is not in as good financial position with regard to wage demands as the cigarette business, because it is not only not expanding but in some ways falling behind, absolutely as well as relatively with the other branches of the tobacco industry.

Barring a short crop which would embarrass production, the tobacco companies seem to be facing a period of continued prosperity for some time, this including the distributing organizations as well as the manufacturers.

Building Materials

Construction Under Difficulties

The intensity of the need for new construction is shown by the fact that any new building at all is being undertaken in these days. Attempts to stabilize the market for building materials have practically met with failure, though the more far-sighted have foreseen the check to new building that would come with increasing prices and an undependable market.

Labor difficulties are looming up as among the greatest obstacles to the building trades. No sooner does one group of laborers obtain a wage increase than another goes out in order to maintain its relative standing in the trades. This process can be kept up to a certain point, as long as it can be passed on to someone else, but when the final consumer rebels further activities in this direction result in a narrowing of the market which eventually brings about disaster for the trade.

These considerations which apply to labor costs apply equally well to the costs of building materials. Because of insufficient labor in lumber camps, glass works and the like, a chronic car shortage which has made it difficult to deliver goods, especially as they are low-tariff freight, and adverse financial conditions, including rent limitations and taxes on mortgages, the market in building materials has been extremely strong for a long time.

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So long as the general railway situation is surrounded by the prevailing uncertainties, railroad stocks and bonds are bound to remain at the prevailing low price levels. We are quite confident, however, that most of the roads, including Seaboard Air Line, will eventually emerge from their troubles practically impaired, and hence we hesitate to advise investors to get out of their railroad securities at prevailing levels. All that we can recommend therefore is that holders sit tight for the present and await developments.

ROCKY MOUNTAIN FUEL

Seems Well Secured

Rocky Mountain Fuel 1st and ref. gold 5s, due April 1st, 1943, are a first mortgage on the company's entire property, consisting of some 40,000 acres of proven coal lands in Colorado together with equipments and appurtenances. At present there are about $3,800,000 of these bonds outstanding.

We believe these bonds are fairly well secured both as to equity and earnings, since in normal years the company has been able to earn the interest on them several times over. The bonds are further secured by a sinking fund under which the company must set aside a sum equivalent to 5c. per ton on each ton of 2,000 pounds of coal turned out by the mine. This sinking fund amounts to considerable at present.

We have not succeeded in getting any recent quotations for the bonds but if you will communicate with any reliable broker, such as those whose advertisements appear in the pages of the MAGAZINE OF WALL STREET, he doubtless will be able to furnish you with a market after careful inquiry among other houses.

AMERICAN TOBACCO

A & B Shares' Position Explained

As announced, the American Tobacco Securities Corporation, in order to receive the stock dividend directly from the American Tobacco Company in such a way that the receipt of same will not constitute taxable income to the stockholders of the A. T. Securities Corporation, will be dissolved in the near future, that is, prior to July 15, 1920. According to the announcement of the directors, each share of A. T. S. will be entitled to one quarter of the 75% stock dividend to be paid to the shareholders of the American Tobacco Co.

There is no American Tobacco Class B stock now outstanding and there will not be until the issue has been distributed as a stock dividend. The class B shares are entitled to share equally with class A shares in the matter of dividends, but they have no voting power. This is the only difference between the class A and class B shares. As to whether A. T. S. will sell at 80 or 90 before July 15th as a result of the stock dividend, it is of course, impossible to predict.

WHO SHOULD BUY LIBERTY BONDS?

(Continued from page 967)

tures attached, selling on about the same investment basis as Government issues.

I have no doubt that many investors, if they will take the trouble to make a comparative examination of their lists of holdings, will find opportunities for profitable switches from corporation into Liberty bonds, and several suggestions along this line will be found by consulting Table I and Table II.

With any bond, public or corporate, the borrower always derives an advantage from a long optional period, and this advantage works out to the corresponding disadvantage of the lender. This is particularly true of bonds callable at par, as are all the Government issues when they are callable at all. As interest rates fall, it is reasonable to assume that the Government will replace its present loans, as soon as it can do so under the terms of the loans, with issues bearing lower rates.

In the case of the Victory notes, it is clear that they are too short-term to offer much hope of profit. In the case of the second fours and the 4¼s, into which they are convertible, the Government has an optional period of fifteen years running from 1927 until 1942. The third 4¼s, which mature in 1928 without privilege of option, offer in lesser measure the same obstacle to possible profit as the Victory notes. With the fourth 4¼s, the Government's optional period is only five years, or from 1933 to 1938, when they mature.

Thus, of all the issues, the nearest callable date of the fourth 4¼s is the most remote. While the second converted 4¼s sell a little lower in price on account of the longer maturity, it should be remembered that they can be called for payment about six years before the fourth 4¼s.

As long as Government issues sell at a discount, yield will be computed on the maturity date, but as soon as they begin to sell at a premium the nearest optional date will form the basis for computing yield. For this reason, I believe that the fourth 4¼s, besides giving a large immediate return, offer a likelihood of the greatest future profit.

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clined to believe, however, that the stock will see higher prices in the not distant future, if the general conditions of the market should improve meantime.

ROYAL DUTCH

Excellent Long Range Prospects

The recent advance of Royal Dutch of New York to above 115 a share has largely discounted the announced privilege granted stockholders of subscribing to new stock at par to the extent of 40% of their holdings. For this reason, we would not care to suggest a purchase of the stock at the present level although the probabilities are that the stock will go considerably higher some day. Nevertheless, a purchase at the present level would be attended with risk. Of course, this company is in a very prosperous condition, and is furthermore actively prosecuting development work in the South American oil fields. Confidence is expressed in well informed circles that this issue will eventually prove highly successful and profitable as a long range investment. Of course, the stock is likely to experience many ups and downs before this prospect materializes.

We understand that stock purchased prior to April 15th will carry rights to subscribe to the new stock at par.

INQUIRIES

In order to maintain and improve the high quality of our Personal Service Inquiry Department we have established the following charges:

BY MAIL

Three securities or less, $1.00; four to six securities, $2.00; for each additional three securities, $1.00.

BY WIRE

$1.00 for each security. We have a direct wire with operator in our offices, and wires take precedence over mail. A small deposit with us is necessary, against which wire inquiries may be charged.

Inquiries on technical points, etc., are charged the same as securities. There is *no charge* on the following:

1. **To investment Letter subscribers.**
2. **For inquiries in regard to standing of bankers, brokers or investment houses.**
3. **To subscribers to magazine before Jan. 24, 1920, until their present subscriptions expire.**

We regret that no advice can be given by telephone or by personal interview as inquiries are handled only by correspondence or telegraph.

We do not advise in regard to immediate fluctuations, nor as to the handling of speculative or marginal commitments. Our judgment is based on intrinsic values and on the investment situation.—THE MAGAZINE OF WALL STREET.

AMERICAN CYANAMID

Status Clearly Explained

We recommended the preferred stock, a cumulative 6% issue with a par value of $100, firstly to Investment Letter subscribers and thereafter through the columns of this magazine. The common was pointed out at 33 as a good specvestment.

Our Investment Letter subscribers probably cleaned up the balance of Cyanamid preferred, and so far as we know there is not now any preferred stock available. However, small lots come out occasionally and we believe the issue may be bought with confidence at any price between 60 and 65. We never advise climbing after inactive securities.

$10,000 INVESTMENT

High Fields with Profit Possibilities

For investment of $8,000 to $10,000, we suggest the following:

1 Rock Island Arkansas & La. 4½% bond of 1934 at 62.
1 U. S. Realty 5% bond of 1924 at 82.
10 Fisk Rubber at 37.
10 Goodrich Rubber at 72.
10 Union Pacific at 119.
10 Pierce Oil pfd. at 92.
10 Ohio Cities Gas at 43.
10 Union Tank-Car at 125.
1 Standard Oil of N. J. at 720.

These issues are all reasonably well secured and interest and dividend at the present prices show a yield of somewhat over 8% while there are good possibilities for future enhancement in value. This selection complies with your specification, namely a high field, diversification, Bonds, Preferred Stocks and Standard Oils and all income building.

YUKON GOLD

Its New Developments

As you state in your letter, Yukon Gold is highly speculative, for the company has been operating at a loss for the past two or three years, the deficit for the year 1919 having been in excess of $1,100,000 after depletion charges and charges for depreciation, and worthless stock investments. On its own ground, the company has not been very successful thus far, since the content of its ore is exceedingly small and at best offers only a very small margin of profit.

However, the company has gone into new fields and it is possible that its stock may be worth a great deal more than its present value should the new venture prove profitable. We refer particularly to the fact that the company has undertaken important development work in the Malay States of Asia, in connection with the production of placer tin by dredging. The company has already sent out two dredges to the new fields and if the venture should prove successful, the outlook for the company would be necessarily greatly improved. This, in our opinion, constitutes the only speculative possibility which attaches to the stock.

RAY HERCULES

Affected by Copper Situation

Ray Hercules was incorporated in August, 1915, under the laws of the State of Maine. The authorized capitalization is $7,500,000, of which $7,446,110 is now outstanding. Par value of the stock is $5 per share. The company is one of the high cost producers and when the price of copper metal falls below 19 cents a pound the company can barely make ends meet. It is probably for this reason that the mines have been shut down for some time. How soon they will reopen is a question, the answer to which depends necessarily upon the course of the copper metal market from now on.

The management of the company is believed to be efficient and honest, but of course it cannot be held responsible

r conditions that have dominated the opper metal situation since the signing f the armistice. Now that there has been onsiderable improvement in the copper etal market we believe that all sound opper companies will be able to show onsiderable improvement in earnings in e next several months and doubtless ay Hercules will share this improvement. Although we have great confidence the copper issues as a class we hesitate to recommend that you take on any ore of the stock even at the present w level. If you are in a position to ke chances, however, you might take on nother block of the stock so as to give u a fair average on your original purase, but of course we cannot strongly dorse a speculation of that sort.

NATIONAL OIL

Room for Inflation in Balance Sheets

We have gone over very carefully the rious items appearing on the balance eet of the National Oil Company, which u have submitted to us and find little at can ordinarily be taken exception to. e company appears to be well fortified ith cash and quick assets, and the capitization does not appear excessive. The e item that might be the subject of iticism is that entitled fixed assets, hich apparently includes lease holds, se equipments, tank cars, refinery, etc., d which are put down at $5,784,892. If is is a fair appraisal no criticism can set forth; and large surplus $5,214,440, it is properly estimated. However, uld it prove inflated, it would make the difference in the world with the mpany's finances.

There are a number of companies of e same name such as the National Oil . of Kansas, National Oil Co. of Del., tional Oil Co. of N. J., National Oil . of Tampico, etc. The balance sheet es not state which of these companies represents, and for this reason we are able to furnish you with further parulars as to the company's current rnings, production, etc.

EMPIRE IRON & STEEL

Dividends May Be Paid

Empire Steel common advanced from to 60 since we first recommended it. is never safe to climb after stocks.

It is true that the past record of the pire Iron & Steel Co. as regards dividds is not good. The common stock not paid a dividend and besides there a large amount of accumulated divids on the preferred. The company s made such rapid strides forward in recent past, however, that we believe payment of the accumulated dividends only a question of time, when the comn stock will then be in the way of idends. We only recommend the comn stock as a speculation of more than inary merit. We do not consider it investment issue in any sense of the m.

GALENA SIGNAL

bnormal Conditions Not Permanent

Galena Signal Oil Co. recently issued a y poor report—that for the year 1919—ich showed a deficit. We are quite of

Investment Offerings

THE well-diversified list of bonds, notes, and preferred stocks contained in the current issue of our monthly booklet, *Investment Recommendations,* will assist you in making opportune investments with attractive yields.

Our BOND DEPARTMENT will be pleased to send you this booklet on request, and to consult with you concerning your individual investment requirements. At our offices in New York, and through our correspondents in various cities, you are assured of prompt, courteous, and *personal* service.

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Resources more than - - - - $800,000,000

New England Industries

NEW ENGLAND INDUSTRIES for over 100 years have represented STABILITY, SECURITY and PROFITABLE OPERATION.

Since 1868 the BROWN COMPANY (formerly Berlin Mills) of Berlin, N. H., and Portland, Maine, has grown from a small beginning to its present position of the largest manufacturer in this country of bleached sulphite fiber, pulp and kraft wrapping paper.

THE BROWN COMPANY SERIES "A" 6% DEBENTURE BONDS are a first claim subject only to $3,450,000 existing mortgages on assets in excess of $50,000,000 and earnings of nearly seven times interest requirements.

Gross sales in recent years have averaged in excess of $23,000,000 annually.

We recommend these Bonds as a prime industrial investment and offer the unsold maturities from November 15, 1920 to 1935 inclusive at prices to yield about 6.15%.

Descriptive Circular on Request

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Subject to prior sale or change in price

Marks		Per Share
500,000,	General Electric Allgem. Electric Gesell....	$100
500,000	Siemens & Halske...	$100
250,000	Darmstaedter Bank...	$75
300,000	Schuckert Works....	$90
500,000	Deutsche Bank.......	$85
500,000	Daimler Motor Wks..	$100

Marks		Per Share
250,000	Bismarckhuette	$95
100,000	Gelsenkirchner	$95
200,000	Bochumer Gusstahl..	$135
200,000	Rheinische Metall...	$90
250,000	General Oil (Deutsche Erdol)	$120
200,000	Electric Enterprises.. Electric Unternehmung	$90

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Vermont Milling Products Corporation

Incorporated Under Mass. Laws

Tax Free in Mass., N. H., Vt. and Conn. Free Normal Federal Income Tax.

8%

Cumulative Preferred

MANUFACTURING slate granules under trade name of "Ver-Mil-Co." Present facilities inadequate to care for enormous increase in business.

PURPOSE of issue is to provide additional mills. Present earnings more than double dividend requirements, with prospects of earnings being ten times preferred requirements within a few months.

MANAGED by a strong board of prominent New England men headed by Charles G. Bancroft, president of International Trust Co.

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SPRINGFIELD, MASS.

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the opinion, however, that the compan has been operating under rather abnorma conditions and that the outlook for th immediate future has been considerabl altered. The company normally is a ver good earner and we think that it wi maintain its reputation for many years t come. We therefore consider it advisabl to hold the stock even though you pu chased it at a considerably higher pric We certainly would not suggest its sale a the present price levels.

INDEX TO VOL. 25

This number of The Magazine of Wall Street completes Vol. 25. A full index to the volume will be sent without charge to any one requesting it. On account of the paper shortage we do not include the index in the current number. In writing for the index, please address Book Department, The Magazine of Wall Street, 42 Broadway, New York.

INTERNATIONAL PAPER

Earnings a Disappointment

International Paper in its annual stat ment just issued, shows only $13.24 p share earned for 1919, which is by n means up to published expectations; a we believe at 85, the stock is selling little high. A stock dividend or an initi cash dividend may be declared in t near future, but this is by no means ce tain and we would not bank too strong on this taking place. An annual 6% ca rate would not advance the stock 20 25 points,—in fact, if this was declare the shares would possibly sell off som what below present levels, but if a sto dividend were declared, the shares mig possibly go a little higher.

We would favor International Paper a very liberal concession from prese levels, and as a speculation.

SWEETS CO. and AM. SAFETY RAZO

Possibilities in Improving Earnings

Sweets Co. of America stock, in o opinion, affords fair speculative possibi ties at the present price, around $2.50 share. The company's earnings are r ning high at present, being estimated about $700,000 a year, not including ta and charges, and on this basis the sto in our opinion, ought to sell higher. W believe, therefore, that a purchase at t present level is likely to prove profita sooner or later. There are only 300,0 shares of the stock outstanding, having par value of $10 each. The company h no funded debt and is extending its bu iness and manufacturing facilities v rapidly.

American Safety Razor has had a c siderable advance in the market in last few days and for this reason we th that it would be well to hold off fo very substantial reaction before purch ing. The company is in a flourishing p tion at present and its earnings are r

ing high. A recent report to the N. Y. Stock Exchange showed that for four onth prior to December 31st, 1919, the mpany earned approximately $700,000, r equivalent to about 87 cents a share rned on the 800,000 shares of capital ock, of $25 par value. This is at the rate f approximately $2.60 a year on the tock. Anyhow, the price of the stock oks high enough to us for the present d we think that a substantial reaction due, from present price, about 16.

HUPP MOTORS

Price Probably Too High

Hupp Motors is a very prosperous conern. According to unofficial estimates, rnings for the fiscal year ended June 0th next, will amount to about $3,500,-00, after all charges including Federal xes. On this basis, the earnings would e equal, after allowing for dividends on he $900,000 of 7% preferred stock, to ore than $6.50 a share on the 519,210 hares of common stock outstanding. urthermore, the company is said to have ash on hand and government securities ggregating close to $2,000,000. The outut of cars for the fiscal year is expected o reach at least 22,000. The par of the ommon stock is $10. Considering the act that the stock has risen very rapidly n the last few weeks, that is to above 22 a share, we rather hesitate to recomend a purchase at the prevailing levels, elieving that present prices have disounted possibilities of the near future.

ISK AND OTHER SEMI-INVESTMENTS

Medium-Priced Stock That Should Do Better

Fisk Rubber we are decidedly of the pinion, you should hold at present as he company is doing a very large busiess and is unable to keep up with orders. An initial 75c. quarterly dividend was recently declared, putting the stock on a $3 annual basis and earnings are said to be running at from $8 to $10 per share annually. These shares have had practically no advance in the recent market upturn, and we believe they are entitled to sell at higher figures when conditions improve, in spite of a further probable decline.

Ohio Cities Gas is also a fairly good specvestment whose shares have been kept back somewhat in the market, due to the new issue of 8% Convertible Preferred stock to increase working capital. The intrinsic values are there.

Midvale Steel has also failed to respond to market conditions recently and the company should be in for good prosperity this year due to the great needs of the railroads for supplies. We suggest you hold your shares despite possibility of a further decline.

International Nickel has shown poor earnings for a long time back but these are now improving, due to the better outlook in foreign exchange which will tend to increase foreign orders. The company also recently increased the price of nickel and although dividends are not yet in sight, they should be forthcoming in the long run, and we believe you might hold your shares for a long pull.

Strength of

Columbia Motors

Production has increased from one thousand cars in 1917 to twelve thousand cars for 1920.

Net earnings are estimated at $3,000,000 or over 60% on the outstanding capitalization.

The company has large working capital and resources. Orders already on the books will take care of this year's entire production.

A declaration of an 800% stock dividend has recently been declared.

6% cash dividend has been paid each month in 1920.

We strongly recommend the purchase of this stock.

LEE, GUSTIN & CO.

Members Detroit Stock Exchange

DIME BANK BUILDING

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Foreign Securities

The present situation makes it possible for the American Investor to buy the highest grade foreign bonds at prices which provide possibilities of exceptional profit in comparatively few years.

We offer and recommend

BRITISH FRENCH JAPANESE

GOVERNMENT BONDS

Or should you desire a purely speculative investment, we can offer you GERMAN MUNICIPALS and INDUSTRIALS; the former are legal investments for trust funds, savings banks and insurance companies in their respective cities.

These bonds are purchased in a great many cases in preference to marks, and any improvement in the mark quotation will increase the value of the bonds.

Transactions are made delayed delivery, but we can invariably make immediate delivery.

WRITE OR CALL FOR CIRCULAR M. W.—12.

CHISHOLM & CHAPMAN

ODD LOTS

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NATIONAL CITY BANK BUILDING
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REAL ESTATE

First Mortgage Loan
Highest Class Property

PAYING 6%

This loan offers to those who have been accustomed to placing money in first mortgages an unusual opportunity, for the following reasons:

(1) In $500 or $1,000 amounts without commission payments or time-consuming details.

(2) The property is of the highest type—a 23-story fireproof office building and land known as the United States Express Building, at No. 2 Rector Street. Because of the division of this mortgage into small amounts, it opens a field for the highest class of mortgage loan to every investor.

(3) The title is insured by the Title Guarantee and Trust Company of New York.

(4) The appraised value of the property, as determined by Messrs. Jos. P. Day, Pease & Elliman, Charles F. Noyes & Company, and Laurence McGuire, recognized authorities, is largely in excess of the loan. According to legal opinion, this loan is a legal investment for trust funds in the State of New York.

(5) Sinking Fund provides for retirement of the loan year by year, thereby increasing the equity. This is a decided safeguard to the investor.

(6) If called for sinking fund purposes, during the first five years the Company will pay $1,030; during the second five years $1,020, and during the third five years $1,010 for each thousand dollars invested.

(7) This first mortgage 15-year sinking fund gold loan, offered at par, pays you 6% on your investment.

Complete circular will be sent upon request for M-300

The National City Company

Main Office: National City Bank Bldg.
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Correspondent Offices in More than Fifty Cities

Current Bond Offerings

Briefly Discussed and Analyzed

Issue.	Maturity.	Offering Price.	Approx. Yield to Maturity.	
County and Municipal:				
*Mississippi Co., Ark., Road Impr. 6s....	1926–1945	101.33@103.32	5.75%	(a)
Stephens Co., Texas, Road 5½s..........	1921–1950	100	5.50	(a)
Robeson Co., N. C., Road & Bridge 5½s..	1930–1950	102@103.75	5.25	(a)
City of Shreveport, La., Waterworks 5s..	1921–1960	97.48@99.82	5.15@5.25	(a)
*City of Akron, Ohio, 5½s..............	1921–1950	100.24@106.112	5.10@5.25	(a)
Akron, Ohio, School District 5½s........	1921–1940	100.361@104.658	5.125	(a)
Public Utilities:				
*Southwestern Bell Telephone Conv. 7s..	Apr., 1925	97½	7.60	(d,e)
Ohio State Telephone Conv. Serial 7s....	1920–1925	95.95@99.76	7.50@8.00	(b)
Railroads:				
*Pennsylvania R. R. Ten-year Secured 7s.	Apr., 1930	100	7	
*New York Central R. R. Equip. Trust 7s.	1921–1935	100	7	(d)
Industrials:				
*B. F. Goodrich Conv. 7% Notes........	Apr., 1925	98¼	7.40	(d,e)
Air Reduction Co. Conv. 7s.............	Apr., 1930	97	7.45	(b,e)
Assoc. Simmons Hdwe. Co.'s Secured 7s.	May, 1925	98	7.50	(b,d)
Elder Steel Steamship 1st Mort. Serial 7s.	1921–1930	93.32@99.64	7.50@8.00	(b)
Tiffin Products, Inc., 1st Mort. 5½s......	1921–1924	100	5.50	(d,e)
*Granby Cons. Min., Smelt. & Power Conv. 8s..............................	1920–1925	100	8	(e)

(a) Exempt from Federal Income tax, including surtax. (b) Company pays normal income tax to the amount of 2%. (c) Exempt from Federal and State Taxation as to interest and principal, excepting estate and inheritance taxes. (d) Available in $500 denomination. (e) Available in $100 denominations. *Described in text.

Mississippi River, Ark. Road Improvement Dist. Serial 6s.—These bonds offer a very good yield—5.75% as compared with a similar issue of Stephens County, Texas, yielding 5.50%, and that of Robeson County, N. C., yielding 5.25%. This is, of course, on the assumption that the degree of security is about the same for the three bonds. Mississippi County was reported the banner agricultural county of Arkansas in 1918 and has a population of 40,000, of which three-quarters is within Road Improvement District No. 1. The bonds, $700,000 now issued out of an authorized total of $3,000,000, are secured by direct tax lien on all the land in the district. Taxes are levied covering interest and principal installments with a margin of 10% additional, and are automatically included with other State and county taxes in collection. Real property exceeds $42,000,000 in value, and the annual tax charge will average only about $1 an acre. There is nothing to indicate, from available data, that these bonds are not substantially as well secured as the other two bonds named above, and it therefore seems the most attractive of the three.

City of Akron, Ohio, Direct Obligation 5½s.—Offered by a syndicate of large investment houses, these bonds are undoubtedly an excellent tax-free security. The city of Akron has prospered wonderfully in recent years because of the rubber industry, and with an actual property value of $350,000,000 against a total bonded debt of less than $15,000,000, this $3,750,000 issue is well secured.

Southwestern Bell Telephone Co. Conv. 7% Notes.—Upon completion of a merger now under way, the company will control the telephone systems in the States of Missouri, Kansas, Arkansas, Oklahoma and Texas. Net tangible assets amount to $102,750,000, against which there are only $41,750,000 liabilities, including $1,251,000 bonds and the present $25,000,000 note issue. Net income for 1919 equaled nearly two and a half times the total interest charges, including those on the new issue. Earnings during the past five years have been at a consistently high level, enabling the company to put $25,000,000 back into the property, in addition to allowing $15,000,000 for maintenance and paying nearly $13,000,000 dividends. These notes, with a yield of 7.60%, are convertible into the 7% preferred stock. While we think that as a general rule investors should select the issues of longer maturity, these notes are an excellent security in their class. They seem more attractive than the similar issue of the Ohio State Telephone Co., except on the basis of yield, which is slightly higher for the Ohio issue.

Pennsylvania Railroad 10-Year Secured 7s.—This is the first important railroad issue—other than equipment trust certificates—to make its appearance this year. Apparently because new offerings of its 6% General Mortgage Bonds would no longer interest investors, under present financial conditions, the company has pledged $50,000,000 of the $375,000,000 General 6s still unissued as security for the present 7% Bonds. Additional security is afforded by deposit of $5,000,000 Philadelphia, Baltimore & Washington R. R. General 6s, making total pledged securities of $55,000,000 against $50,000,000 bonds of the new issue. The pledged bonds cover practically all the property of the two railroads, but are subject to $186,300,000 prior liens. The splendid credit and record of prosperity enjoyed by the Pennsylvania has been somewhat marred by the company's poor showing during the past two years, when it earned for the Government only a small proportion of the "standard return." While it is probable that hardly any other road in the country could issue bonds at the pres-

New Issue

Province of Ontario

6% Gold Bonds

Maturing April 15, 1925

Principal and Interest payable in United States Gold Coin

Price 95 and Interest Yielding Over 7.20%

Ontario is Canada's Premier Province, being the wealthiest and most populous in the Dominion. We recommend these bonds for investment.

A. E. AMES & CO.

Investment Securities

Established 1889

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Investments Without Worry

You can secure this unusual combination and average over 5¼% return by following the example of one of our large life insurance companies, which has always confined its bond investments to

MUNICIPALS

and has never lost a dollar in principal or interest.

These bonds are also wholly exempt from the Income Tax.

Further particulars upon request.

Spitzer, Rorick & Company

Established 1871

Equitable Bldg., New York

Toledo Chicago

ent time on a more favorable basis, there are a number of public utility and industrial issues which would seem to offer greater investment advantages. Those interested in an analysis of present earning power of Pennsylvania are referred to the article in the March 20th issue of the MAGAZINE.

New York Central R. R. 7% Equip. Trust Certificates.—Since equipment trusts are the very highest grade of railway security obtainable, the present issue, with perhaps the best yield ever offered by an important railroad, deserves special attention. The equipment, consisting of 9,200 freight cars, 265 passenger cars and 193 locomotives, will cost $48,300,000, or one-third more than the amount of the certificates. Title to the equipment is vested in the trustee until the final installments of certificates are paid, so that the later issues of the certificates are more strongly protected, the margin of safety increasing progressively as the earlier issues mature. Purchase of the certificates of longer maturities is suggested as offering greater advantages for the small investor.

B. F. Goodrich Co. Five-Year Convertible 7s.—These $30,000,000 notes are excellently secured, as the company has no funded debt, and earnings for five years have averaged more than five times the amount of the interest requirements on the new issue. They carry warrants entitling the holder to purchase common stock at the rate of $80 per share, at the rate of 12½ shares of stock for every $1,000 note held, up to March, 1922, after which date the notes themselves (if accompanied by warrants) are convertible into stock on the same basis. Goodrich common is now quoted at about 66, but sold at about 86 in January and at 93 last October, so that the value of the warrants and conversion privileges is evident. With a yield of 7.40% these notes may be regarded as exceptionally attractive.

Granby Cons. Mining, Smelting & Power Conv. 6s.—Proceeds of this small issue of $2,500,000 will be used to retire floating indebtedness in connection with additions to plant already made. The company is the largest Canadian producer, and has reserves of 22,484,000 tons, which are, however, mostly low-grade porphyritic ore. In general it must be regarded as a liquidating proposition, and this has been reflected in the downward tendency of the stock in the past few years. While the bonds are doubtless well enough secured, the conversion privilege into stock at 55 does not seem to present very great possibilities, although it is quite possible that the stock may again sell above this point in any extensive period of prosperity in the copper industry. Stock is now about 41¾.

OUR EXPORT BALANCE

For many years our merchandise exports have exceeded our imports. The smallest excess of exports during the last ten years was in 1909, $252,000,000; the largest, previous to 1915, was $691,000,000 in 1913. Our export balance has been swelled far beyond that sum since 1915 by the demand for war supplies abroad.

Insure your future savings against higher Bond Prices

Details of

A PORTFOLIO INVESTMENT
offering a diversified selection of high grade bonds yielding 6%-8%.

OUR PARTIAL PAYMENT PLAN
enabling you to secure this investment at present prices for a small initial payment.

Sent upon request.

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TELEPHONE RECTOR 470

8% Safety Marketability

The preferred stock of a Company 20 years old. Dividends are earned about five times. Business is stable and conservative.

The Company unconditionally agrees to maintain a market for this stock at par and dividend.

Write for Particulars

H. A. MILLER & CO.

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CUBA CANE SUGAR CORPORATION

Ten Year 7% Convertible Debentures due January 1st, 1930

Interest payable January 1st and July 1st.

PAMPHLET ON REQUEST

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NEW YORK

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Montreal

Current Stock Offerings

The salient facts concerning current stock offerings. No opinion or rating of any kind is attempted, and the object is purely to keep the reader informed on the more important issues.

Federal Rubber Co. 7% Cum. First Pref. Said to be under supervision of the same interests which control Fisk Rubber Co., this concern operates a plant for the manufacture of tires and mechanical rubber goods, at Cudahy, Wisconsin. Federal tires have been widely advertised and the company's sales have shown rapid growth. The present issue of $2,000,000 first preferred and $1,250,000 second preferred stock will provide funds required for plant extensions and working capital. Net earnings applicable to dividends during the past five years have averaged over twice the amount required to pay dividends on the first preferred stock, including the present issue; and for the single month of January, 1920, net earnings before taxes amounted to practically the entire annual dividend requirement on the first preferred. There is no funded debt, and none may be issued without stockholders' consent. Stock is offered at 97 and accrued dividend.

Vermont Milling Products Corp. 8% Cum. Pref. This recently-organized company has acquired large slate quarries in Vermont from which a practically unlimited supply of slate granules for roofing purposes are obtainable. The established business of another concern has been taken over and the facilities are being rapidly expanded through construction of additional mills, with seven times the original plant capacity. Important Boston interests are connected with the new company, which will, if present plans mature, become one of the leaders in the industry. With the great demand for building products at the present time the company should have no difficulty in marketing its products, and it is estimated that preferred dividends will be earned about ten times. $500,000 preferred is offered at the present time.

Atlantic Gulf Oil Corp. Common Stock. This subsidiary of the well-known steamship company of similar name, which owns 55% of the stock, has now about completed a thirty-five mile pipe-line, a pumping station, 600,000-barrel storage tanks and a topping plant with a capacity of 30,000 barrels a day. It has three producing wells in Mexico, one of which is said to be the largest in the world, and total potential production is claimed to be at the rate of 250,000 barrels daily. The company now has contracts for nearly 7,000,000 barrels during the first six months' operation, 3,000,000 of which are to be sold to the United States Shipping Board. President Guffey estimates that net earnings for the year will run at the rate of about $10,000,000. The company's present capitalization consists of $7,500,000 bonds and $20,000,000 capital stock (par $100). The present

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" "	Nuremburg	4%
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For future delivery we issue interim trust certificates of the Lincoln Trust Company, 7 Wall Street, as Trustees, which are exchangeable for the definitive bonds upon arrival.

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$265,650 Worth of Farm Tractors

The Bear Tractor Corporation recently received contracts for farm tractors totalling $265,650. These are in addition to the reservations already entered. It is estimated that profits from the first two years' scheduled production will total $2,099,120. Allowing for taxes and dividends, there should remain a sum sufficient to redeem the Preferred Stock at 110% and show about 50% earned on the Common Stock.

Preferred Stock, par, $10 a share. Bonus 140% in Common Stock.

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offering of $2,500,000 stock is made by a New York Stock Exchange house.

Truscon Steel Co. 7% Cum. Pref. This stock is now listed on the Detroit Stock Exchange, and application will be made to list it on the Cleveland Exchange also. The par value is $10 and including the present issue there is $2,500,000 outstanding. The Truscon Steel Company manufactures the "Kahn Building Products," which are used in reinforced concrete construction and concrete road building. Sales have increased from $1,080,000 in 1907 to $12,520,000 in 1919, and the amount of the dividends on preferred stock has been earned four times over in the past three years. Earnings for the current year are estimated at twice those of 1919. The company has no funded debt and none can be created without consent of holders of two-thirds of the amount of preferred stock outstanding. The stock is offered at par by local Ohio banking firms and by a large New York investment house.

Goodwin Preserving Co. 8% Cum. Pref. This company, an old-established firm has enjoyed a sudden rapid growth in the past three years because of the increased popularity of canned and preserved goods. Sales for the present year are running over three times as large as in 1917. Net earnings for 1919 were $155,000 before deduction of interest, taxes, etc., and with the anticipated increase in profits due to the investment of new capital in the business, dividends on the new $350,000 preferred will doubtless be earned with ample margin. The stock is offered at par ($100) by a Chicago broker, the purchase of each share including the right to subscribe to six shares of common at $5 a share.

New Britain Machine Co. 8% Cum. Pref. Manufactures a variety of woodworking and other machines, as well as the New Britain tractor, and has a well equipped factory of 419,000 square feet floor space.

INDUSTRIAL BONDS AND PREFERRED STOCKS

(*Continued from page* 984)

of conservative investments a number of high-grade preferred stocks which may be purchased under the same considerations as bonds, and they have the additional advantage of having no stated time of expiration. In some cases they are callable, but the call price is usually set high enough so as not to work any immediate disadvantage to the investor. Many preferred stocks, however, are non-callable according to the terms of issue, and these are especially desirable from the standpoint of the long-pull investor who believes that we are near the crest of the high money market.

The table includes a list of investment securities of industrial corporations which we believe are desirable purchases at the present time. Investors who now have large profits in their holdings of industrial common stocks would do well to consider the advantages, especially in the way of conservatism, of diverting these profits into bonds and preferred stocks at their present low price levels.

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Financial News and Comment

Note.—The Railroad and Industrial Digest, Notes on Public Utilities, Oil Notes and Mining Digest, contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither THE MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy. Investment commitments should not be made without further corroboration.—Editor.

RAILROADS

BOSTON & MAINE.—Makes Better Showing.—Net income for 1919 after charges amounted to $2,657,522, equivalent after deduction of preferred dividends to $1.32 a share, earned on the $39,505,391 outstanding common stock, as compared with net income of $266,930 or 43 cents a share earned on the common stock in 1918.—v. 25, p. 670.

B. & O.—Situation Improving.—Results first two months of this year are decidedly better than for the same months of 1919. Inclusion of back mail pay in January figures apparently caused the greater part of the improvement, but the February figures alone show a decrease of $217,000, or 8.7%, in operating deficit. For the two months the deficit was only $1,290,000 as against one of $4,215,000 in these months of last year.

Since the road's freight revenues constitute 75% of its total revenues as against 68% for the railroads of the country as a whole, the company will gain more from the impending freight rate increase than most of the railroads of the country. Immediate outlook is not very bright, owing to the very poor showing made during the past two years.—v. 25, p. 506.

CHICAGO & NORTH WESTERN.—New Mortgage Authorized.—Shareholders authorized the creation of a new "first and refunding mortgage" to be limited to not exceeding three times the outstanding capital stock, on which basis the present issue would be limited to approximately $500,000,000. The purpose of the new mortgage is to provide for refunding the entire bonded indebtedness, aggregating $213,653,000, of which $118,770,000 will mature between 1921 and 1948 and for financing, from time to time, necessary permanent improvements, additions, betterments, and equipment.—v. 25, p. 586.

COLORADO & SOUTHERN.—Earnings Show Marked Improvement.—Gross for the first 2 months of current year increased from $3,688,516 in 1919 to $4,477,763, or more than 21%; net operating income amounted to $898,131 compared with $676,741 for the same period in the preceding year.—v. 25, p. 760.

LOUISVILLE & NASHVILLE.—Maintains Earnings.—Net income for 1919 after charges and Federal taxes amounted to $11,176,281 or $15.52 a share on the $72,000,000 outstanding capital stock against $15.30 earned in the preceding year. Rental fixed for Government operation of the system amounted to $17,298,920.—v. 25, p. 760.

N. Y. C.—Equipment Plans.—Management is planning expenditures approximating $100,000,000. These will be about equally divided between equipment and general improvements and extensions. During government control the company's lines were allocated equipment costing over $46,000,000, but these additions to rolling stock have not been sufficient to keep pace with traffic growth and ordinary replacements. The management has also arranged for additional equipment to cost $48,318,300 and will spend about $2,000,000 more in rebuilding 1,000 coal cars not now in commission.

N. Y. ONTARIO & W.—Loss to Government.—Net income for 1919 after all charges was $933,973 or $1.60 a share on the $58,117,982 capital stock against $1.38 earned in preceding year. As result of actual operating income of $759,047 and Federal compensation of $2,103,589, Government loss amounted to $1,308,542. Without Federal compensation company would have been short $374,569 of earning fixed charges.

NORTHERN PACIFIC.—Earnings Reduced.—If road had operated for its own account instead of under federal control in 1919 it would have earned $4.05 a share on the $248,000,000 stock. This compares with $7.53 a share for 1918 under the same assumption. Gross earnings from traffic operations were $100,739,354, or $2,168,900 less than the record gross in 1918, but higher wages and other increased operating costs caused a reduction of almost $10,000,000 in net railway operating income, which last year after elimination of lap-over items totaled $18,450,791, compared with $28,327,432 in 1918.—v. 25, p. 761.

QUEBEC CENTRAL RY. — To Build New Line.—Company is about to commence construction of a new line extending 8 miles to a point on the Canadian National Rys., 2 miles west of St. Isidore in Dorchester County. The building of this link will give the road a direct connection into Quebec City by using a short section of Canadian National Line and the Quebec Bridge.

ST. LOUIS-SAN FRANCISCO.—Makes Improvements.—Is preparing to enlarge greatly its terminal facilities at Fort Worth, Tex. Cost of constructing the proposed new yardage tracks will be

about $200,000. Other betterments will be made in Fort Worth and along the North Texas Lines of the system at an additional cost of about $300,000. New freight yards are to be established at Dublin. According to President Kurn, the Vernon division of the system will be extended to the new oil field, 12 miles southeast of Vernon, if production becomes large enough to justify the expenditure. v. 25, p. 751.

UNITED RY. OF BALTIMORE.—Earnings Statement.—Surplus for 1919 after charges and Federal taxes amounted to $246,424, equivalent after preferred dividends to 59 cents a share earned on the $20,461,200 common stock ($50 par value) as compared with surplus of $332,652, or 81 cents a share on the common in 1918.

INDUSTRIALS

ALLIS CHALMERS.—Earnings Decline.—Net earnings for 1919 after all charges and taxes amounted to $3,599,714 or $9.57 a share on the common of $26,000,000 after payment of preferred dividends of 7%. This compares with $11.62 earned in 1918.

AMERICAN CAST IRON PIPE.—Introduces New Product.—Company announces introduction of a new product prepared joint electric cast iron pipe, a product of the electric furnace which has been installed at the big plant in North Haven, Birmingham.

AMER. SAFETY RAZOR.—Earnings Satisfactory.—Consolidated profit and loss account for three months and twenty days from Sept. 11, 1919, to Dec. 31, 1919, of the corporation and subsidiaries shows net profits for the period before providing for taxes, of $520,591 and total surplus Dec. 31, 1919, of $699,755. On this basis company's profit for the current year, before taxes is estimated at $1,703,752. v. 25, p. 346.

AMER. SUGAR REFG.—Subsidiary Doing Very Well.—Company this season should make from its ownership of Central Cunagua alone operating profits equal to more than half of last year's total profits from operation of the refining company of $10,283,081. Cunagua is the new Cuban sugar producing property acquired in 1919. The Cunagua estate is expected to make well in excess of 500,000 bags of raw sugar, which will go to the company. The mill's proportion, roughly half after payment of the amount due the colonos or tenant farmers, would be more than 250,000 bags, on which American Sugar should make all profits of production and refining.

AMERICAN SUMATRA.—Outlook Favorable.—In the first six months of current fiscal year, which ends July 31, company's net income was $1,453,347, leaving a balance of approximately 9% on the common stock which was increased to $13,532,885 by the conversion of debentures. Since the initial half-year is always the lean period in the company's earnings, this rate assures a liberal surplus for the full year over the 10% divi-

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dend on the junior issue. Dividends on American Sumatra preferred have been declared up to September. v. 25, p. 762.

AMER. TOBACCO.—To Pay Stock Dividends.—Has declared a 75% dividend on common payable in class "B" common on August 1, to holders of record July 15; is also offering to share holders the option to exchange their holdings for class "B" stock at $110 between June 1 and July 1. Thus, holders of scrip accepting offer will receive stock dividend payable also on class "B" stock outstanding July 15. v. 25, p. 253.

A. T. SECURITIES.—To Dissolve.—Company about to dissolve prior to July 15, and to distribute its assets consisting of American Tobacco common stock, in order to enable stockholders to receive the 75% stock dividend on A. T. common shareholders of record July 15, 1920. This will not interfere with declaration and payment by the company of $1.25 a share in June to its stockholders.

AMERICAN WRITING PAPER.—Sharp Decline in Earnings.—Surplus for 1919 after charges and taxes amounted to $435,095 compared with $1,252,629 in the preceding year, a decline of more than 65%. Earnings on the preferred stock of $12,500,000 were $3.48 against $10.02. Decline partly due by sharp decline in gross sales from $21,327,777 to $16,936,648. v. 25, p. 463.

ASSOCIATED DRY GOODS.—In Favorable Position. — Including the earnings of Lord & Taylor, total earnings of the company for the past year are about $20 a share on the $15,000,000 common stock; earnings at close of March were 20% in excess of the same period a year ago. v. 25, p. 672.

ATLANTIC G. & W. I.—Extends Field of Activity.—Judging from earnings of subsidiary companies so far reported, net income for 1919 after taxes is estimated at $5,000,000 or more than $28 a share on the outstanding common. Company's Mexican oil properties have been developed favorably and are expected to yield about 25,000 bbls. of crude oil a day. This should later be increased to 60,000. The company is also developing its Columbian properties comprising over 1,000,000 acres, and has set aside $2,500,000 for this purpose. The company has also organized distributing concerns in Cuba, England and France, and under existing market conditions it is reasonably certain that there will be no difficulty in disposing of all the company's oil products at highly remunerative prices. These earnings will not be reflected to any great extent until after July of next year. v. 25, p. 672.

CASE PLOW (J. I.).—In Good Position.—Demand for farm implements is the greatest in the history of that company's business, which is true of other agricultural implement manufacturers, and foreign demand is greater than at any time since the armistice. A manufacturing contract has just been closed whereby the Wallis tractor will be made in Great Britain by large interests on that

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side. The company has a strong foothold in South America, Asia and Australia, in addition to its European business.

CHICAGO PNEUMATIC TOOL.—Sells Motor Truck Department.—Early in the year the directors authorized the sale of the motor truck department including the plant at Chicago Heights which had, since its inception, annually incurred a loss. The company's subsidiaries have steadily developed; the capacity of the English plant has been tripled, and sales in England and Continental Europe have expanded considerably. V. 25, P. 200.

CRUCIBLE STEEL.—Earnings Larger Than Reported Previously by Company.—Net for fiscal year ended August 31, 1919 after preferred dividends was $38.80 a share instead of being $31.29 a share, as the corporation has previously reported. The 1919 net, after Federal taxes, is placed in the revised report as $11,450,503. After deducting from this $1,750,000, paid in preferred dividends, there remained for the $25,000,000 common $9,700,503, or the equivalent of $38.80 a common share. Gross business for 1920 is estimated in the Stock Exchange statement as $65,000,000, against $59,560,691 for 1919. In the original report 1919 net before preferred was given as $9,574,208, and after, $7,824,208. V. 25, P. 763.

FISK RUBBER.—Earnings Satisfactory.—Surplus for 1919 after federal taxes amounted to $3,994,657, equivalent after deduction of preferred dividends to $5.99 a share ($25 par value) as compared with surplus of $2,506,853 or $19.50 ($100 par value) earned on the $8,00,000 common stock in 1918. V. 25, P. 765.

GENERAL CHEMICAL.—January Income Statement.—Consolidated statements of profit and loss of the company and sub-companies for the month ended January 31, 1920, shows gross profit of all companies, $685,888 and net profits of $506,246 or $5,568,706 net profit for the total current year, equivalent to $33.75 a share on the outstanding common stock. V. 25, P. 589.

GENERAL CIGAR.—Earnings Statement.—Net income for the three months ended March 31, after charges and Federal tax and deduction for preferred dividends was $3.80 or at an annual rate of $15.20 a share on the outstanding common. V. 25, P. 674.

INTERNAT'L AGRICULTURAL. To Pay Back Dividends.—Company is discussing plans for the payment of $40 a share accumulated dividends on the preferred stock. It is probable that new securities, either common or preferred, will be issued in connection with this plan. V. 25, P. 464.

INTERNATIONAL PAPER.—Earnings Decline.—Company earned $13.24 a share on $19,803,920 of its outstanding common stock in 1919, against $18.47 a share in 1918, according to its annual report issued yesterday. Net in-

The Federal Rubber Co.

7% First Preferred Stock

The Federal Rubber Company is a large manufacturer of pneumatic tires, tire sundries and mechanical rubber goods. The management is under the direct supervision of the interest that controls the Fisk Rubber Company. Branches are maintained in cities throughout the country and sales have shown a consistent and rapid growth.

Net earnings for the year 1919, after all tax deductions, amounted to $1,119,712.08, or well over three and one-third times the dividend requirements on the First Preferred Stock.

For January, 1920, the Company reports net earnings before Federal Taxes of $329,394.81, an amount practically equivalent to the annual-dividend requirements on the present amount of first preferred stock outstanding, including this issue.

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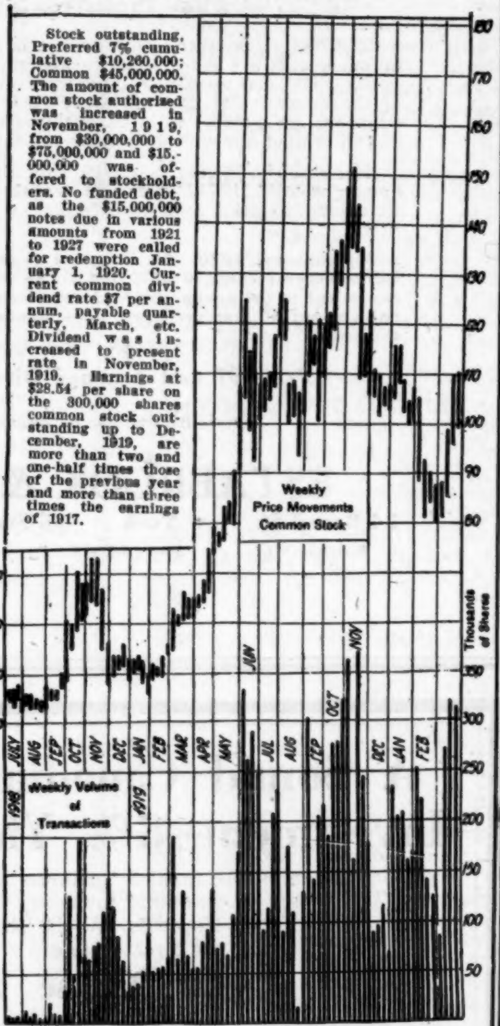

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American Linseed Co.
American Locomotive Co.
American Smelting & Refining Co.
American Sugar Refining Co.
American Sumatra Tobacco Co.
American Woolen Co.
Anaconda Copper Mining Co.
Baldwin Locomotive Works.
Bethlehem Steel Corp.
Canadian Pacific Railway Co.
Central Leather Co.
Chesapeake & Ohio Railway Co.
Chicago, Milwaukee & St. Paul Ry.
Chino Copper Co.
Corn Products Refining Co.
Crucible Steel Co. of America.
General Electric Co.
General Motors Corp.
Goodrich (B. F.) Co.
Inspiration Consolidated Copper Co.
International Mercantile Marine Co., Common.
International Mercantile Marine Co., Preferred.
Mexican Petroleum Co., Ltd.
New York Central R. R. Co.
Pan-American Petroleum & Transport Co.
Reading (The) Co.
Republic Iron & Steel Co.
Southern Pacific Co.
Studebaker Corporation.
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(May 1)

come after charges and Federal taxes was $4,121,494, against $5,152,577 in 1918. After payment of preferred dividends, the surplus was $2,621,494, increasing the final profit and loss surplus from $19,104,763 at the beginning of the year to $21,726,257 at its close. V. 25, P. 675.

LACKAWANNA STEEL.—Reports Deficit.—Deficit for the first quarter of current year amounted to $449,720 compared with a surplus of $1,207,109 reported for the corresponding period of 1919. Unfilled orders on hand March 31 were 495,519 tons, a decline of more than 50% from last year. V. 25, P. 766.

LIBBY McNEIL.—Stock Dividend Considered.—Annual report for 1919 expected to show between 40 and 60% earned on stock and a stock dividend of 100%, half free and half at 50% at par, is under consideration.

LOOSE-WILES BISCUIT.—Pays Back Dividends.—Company declared a dividend of $5.25 a share on account of back dividends on its 2nd 7% cumulative preferred of $2,000,000, covering the period from February to November 1, 1915. According to the president of the company no dividends would be considered on the preferred should have been disfor the common until the back dividends charged. V. 25, P. 766.

MANATI SUGAR.—Stock Dividend Likely.—Company expected to pay a moderate sized stock dividend, to be decided at a stockholders' meeting to be held within two months for the purpose of authorizing an increase in the capital stock, since the present authorized common of $10,000,000 is all issued and outstanding. V. 25, P. 510.

MAXWELL MOTORS.—In Good Position.—For the first 8 months of fiscal year, commencing August 1, 1919, company earned $2,992,000 from a production of 49,746 cars and trucks. Demand continues in excess of production and since the best months are ahead, the fiscal year ending July 31, 1920, should show gratifying results. V. 25, P. 545.

MONTGOMERY WARD & CO.—Strong Financially.—Sales of the corporation last year aggregated $99,336,053, and on the basis of sales reported for the first quarter the aggregate for 1920 will be well above $120,000,000. Company is planning to establish additional centers of distribution. Financially, it is in an excellent position and will require no new money for the expansion. Working capital is in excess of $42,000,000. V. 25, P. 663.

N. Y. SHIPBUILDING. — Pronounced Increase in Earnings.—Net income for 1919, after charges, but before Federal taxes, of $1,401,792, or $7 a share earned on the 200,000 shares of capital stock of no par value, as compared with net income of $378,358, or $1.89 a share, earned on the capital stock in the preceding year. The corporate surplus increased to $3,157,972

from $1,919,807 in 1918. In addition to the work being done for the government, the company is building 4 oil tankers for American interests and 2 for company account.

NUNNALLY COMPANY (of Delaware).—Admitted to Board.—In connection with its being admitted to trading on the big board, company shows net profits after expenses but before Federal taxes of $525,158, equivalent to $525.15 a share earned on the 1,000 shares of capital stock (of the Nunnally Co. of Georgia) of $100 each. All the property and business of the Nunnally Co. (of Georgia) was transferred to the Nunnally Co. (of Delaware). The Nunnally Co. (of Georgia) net profits of $525,158, before Federal taxes would be equivalent to $3.28 a share on the 160,000 shares of capital stock (no par) of the Nunnally Co. (of Delaware).

PRESSED STEEL CAR.—Expects Large Orders.—Company is in good condition, physically and financially, has plenty of cash and working capital, no bank loans, and looks forward to receiving a good proportion of whatever equipment orders are placed here by the railroads. The company has been offered large volume of export business but declined, because of the long-termed credits asked. In view of this, an increase in the dividend rate on the common is not unlikely. V. 25, P. 676.

STROMBERG CARBURETOR.—Earnings Statement.—Net profits for 1919 after charges and Federal taxes were $401,328, or $5.34 a share earned on the 75,000 shares of capital stock of no par value. Gross income for the year amounted to $858,072. V. 25, P. 340.

UNITED ALLOY STEEL.—Earnings Smaller.—Net profits for 1919 after depreciation and Federal taxes amounted to $2,183,838, or $4.16 a share on 525,000 shares of no par value against $5.01 a share earned in preceding year. V. 25, P. 498.

UNITED FRUIT.—To Profit From Sugar Operations.—Company should from its sugar operations alone in the current 12 months earn more than from all other sources combined—more than total eanings for as recent a full year as 1917. The company expects to produce 900,000 bags of sugar this year—barring always unforeseen weather difficulties or catastrophies. Of these 900,000 bags only 320,000 bags to date have been "made" and only 254,000 bags shipped. Consequently it has on hand at the present unheard of prices for sugar, 72% of its record-breaking production. It is probably the biggest single "play" of any sugar company in the country. Estimated profit of $20 a bag would make a total of $18,000,000, or $35 a share on the stock. V. 25, P. 676.

CANADA CEMENT. — Prospects for Dividends Unfavorable.—Current year opened fairly well, but prospects

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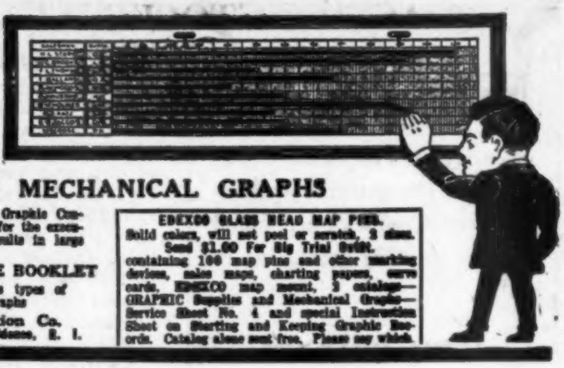

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still uncertain. A large quantity of prospective construction work was in the offices of architects, but labor and material costs would prove potent factors in the determination of how much building would be carried out in 1920. As to manufacturing the almost prohibitive price of coal and the difficulty of obtaining sacks and supplies of all kinds render costs abnormal, but, despite these factors, the company should have a fair year. There is little doubt, however, that dividends will be earned in 1920 as in former years, when conditions were even more adverse or uncertain. V. 25, P. 598.

FAMOUS PLAYERS - LASKY. — Earnings Satisfactory.—Earnings in 1919 for the common stock after Federal taxes and provisions for the new preferred of $10,000,000 were $3,066,319, or $15.36 a share on 199,675 shares of common. Gross income for the year was $27,165,326 and operating expenses amounted to $23,032,341. V. 25, P. 73.

HERCULES PAPER.—Operating at Capacity.—According to officials of the corporation the plants at Cohoes, Waterford, Rock City Falls and Cornwall, are running day and night shifts. Selling subsidiary reports capacity sales. Owing to the unprecedented demand for all kinds of paper, the outlook for the company appears to be very bright.

MANHATTAN ELEC. SUPPLY.—Net Advances.—Net profits for 1919 after expenses and Federal taxes, amounted to $702,910, against $523,692 in 1918. After allowing 7 per cent. for preferred dividends, its balance was equal to $20 a share on the $3,000,000 $6,962,988 in 1919, against $5,554,399 in 1918. The company's net sales were $6,962,988 in 1919, against $5,554,399 in 1918, an increase of about 25 per cent.

MITCHELL MOTORS. — Outlook Good.—Net income for 1919, after federal taxes, was $808,618, or $6.46 a share earned on the 125,000 shares of common of no par value. Corporate surplus was $3,442,090, or $27.54 a share. During the past two years company has been extensively reorganized as to its personnel and manufacturing facilities. The plants have been improved by the expenditure of approximately $850,000 of new machinery and equipment, resulting in more economic production and increased capacity. The company now manufactures all of its automobile bodies, including closed types, through added equipment to its body plant.

MOTOR PRODUCTS. — Profits Grow.—Net profits for 1919 before providing for federal taxes and Canadian business profits war tax, were $979,027, or about 33% on the capital stock of $2,885,000, compared with $696,961, or 24%, in 1918. The increase is of especial interest since the Detroit plant was greatly handicapped during the past year because of delay of the Government in adjusting claims and removing from the buildings machinery, tools and equipment used in the production of war materials.

PACKARD MOTOR.—To Increase Production.—According to President Macauley, the company is spending $8,000,000 on additions to its plant in Detroit. The company has announced double production of trucks and twin six cars for 1920. The increase in plant facilities brought about by the investment of $8,000,000 will make an even greater future program possible. V. 25, P. 545.

STEEL COMPANY OF CANADA. —Earnings Fall Off Somewhat.—Company shows surplus for 1919, after charges and war taxes of $2,382,171, equivalent, after preferred dividends, to $16.76 a share of $100 par value earned on $11,500,00 of common stock, against a surplus of $2,429,758, or $17.17 a share on its common stock, in 1918.

TEMTOR CORN & FRUIT.—Doing Well.—From present indications estimated earnings of the company for the first half of the fiscal year, ending Oct. 1, 1920, will exceed the original estimate of $9.92 per share on Class A stock. While no official statement covering the first six months has been issued, it is apparent that earnings were such that they will amount to more than $11 per share per annum. The company is one of the largest users of sugar, and it is understood that their requirements are covered for more than a year's future operations on a very profitable basis. V. 25, P. 499.

TIMKEN AXLE (of Detroit).—Sales Show Enormous Increase.—May reduce par value of common stock from $100 to $10. Total capital stock consists of $15,000,000 of 7% preferred of which $5,000,000 is outstanding, and $30,000,000 common, of which $5,000,000 is outstanding. Present annual dividend rate on common is 36%. Both classes of stock are dealt in on the Detroit Exchange. Net profits for 1919, after expenses and taxes, were $2,786,699, equivalent after preferred dividends to 81.22% on the common, which received 24% in dividends. Working capital as of December 31, amounted to $13,850,577; this will enable company to provide for the planned 50% increase in output for 1921. Sales for the last 6 months have increased 50% over any previous similar period in the company's history.

UNION TWIST DRILL.—In Good Position.—Combined sales of the company for 1919 were over $5,600,000; sales for the first three months of the current year have shown a marked gain each month, representing about $7,000,000 per annum. Annual earnings are estimated at $6.50, compared with $5.26 a share on the common of 200,000 shares of $5 par value. Total net assets for the common, as of January 1, after deducting the par amount of preferred of $3,129,600, were $22.08 a share. The company is one of the largest producers

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	1919 Marks	1918 Marks	1917 Marks
Operating Revenue	30,107,706	20,163,274	14,990,065
Other Income	1,890,723	1,648,919	1,937,329
Total	31,998,429	21,812,193	16,927,394
Operating Expenses	20,062,176	10,449,495	7,529,910
Profit	11,936,253	11,362,698	9,397,484
Taxes to City	948,460	465,061	309,765
Profit after Taxes	10,987,793	10,897,637	9,087,719
Bond Interest	2,479,292	2,685,166	2,682,895
Earned about	4⅜ times	4 times	3⅜ times

The Railways carried in 1917 108,373,782 passengers; in 1918 112,962,790 and in the first six months of 1919 62,127,121 passengers.

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PUBLIC UTILITIES

AMER. DISTRICT TELEGRAPH (N. J.).—Earnings Fall Off.—Net income for 1919 after charges and Federal taxes amounted to $418,537, equivalent to $4.19 a share earned on the $9,965,350 capital stock, as compared with net income of $387,945 or $3.89 a share earned on the capital stock in 1918.

AMERICAN TEL. & TEL.—Strong Position Continues.—Net earnings for the three months ended March 31, 1920, after interest charges, were $13,052,446, equal to $2.95 a share on the $441,956,500 outstanding capital stock. Earnings for 1919 amounted to over $10 a share. V. 25, P. 768.

ARKANSAS NATURAL GAS.—Builds New Pipe Line.—Company has added a third pipe line from the Homer field to Meriden, to facilitate the carrying of its production. Pumping of oil has already commenced through the new line which is estimated to be capable of carrying 10,000 bbls. daily. Additional tank cars have also been provided to transport the company's output.

BOSTON "L".—Increase in Rate of Fare Needed.—Under private management the 5-cent fare has failed to produce sufficient revenue to pay operating expenses and fixed charges, in consequence of which the property has been brought to a condition unfit for efficient operation. Under the public control act successive changes in fare were made to obtain receipts that would meet expenses, and under the present 10-cent rate it is believed that by June 30, 1920, all losses will have been absorbed. V. 25, P. 768.

B. R. T.—Revenue Increases.—Total cost of construction and equipment up to December 19, 1919, amounted to $66,683,084. Revenue for the last six months of 1919 showed an increase over the first half year of $1,047,132. V. 25, P. 677.

BROOKLYN UNION. — Increase Denied.—Application of the Company for an increase in rates of gas supplied to several sections in the Borough of Queens, has been denied; the present charge per 1,000 cubic feet which the company claims is confiscatory, is to be continued until Jan. 14, 1921, when the question of rates may be taken up again without prejudice to the company. V. 25, P. 768.

CITIES SERVICE. — Subsidiary Makes Extensions.—Work has been commenced on an extension of Empire Pipeline Co.'s system in Kansas to the northwestern part of Greenwood county which will run oil from the new Teeter pool. While there are as yet only a few producing wells in the district, the line is being built of sufficient size to take care of completions which may be made in the future. In addition to Cities Service, Phillips Petroleum and Emerald Oil are active in the new district. V. 9, P. 677.

COLUMBIA GAS & EL.—Output Increasing.—Company produced from Jan. 1 to April 2, 4,927,797 gallons of gasoline compared with 4,842,328 gallons in the corresponding period of 1919, an increase of about 2%. V. 25, P. 592.

I. R. T.—Shows Improvement.—Income statement for February showed a definite improvement over the corresponding month last year. The deficit after all charges was $15,160, compared with a deficit of $364,638 in February, 1919. The betterment was largely due to the severe storms during the month which at times completely paralyzed the surface systems, driving the traffic to the rapid transit lines. But the fact that earnings are showing a steadily improving trend is evidenced by the showing for the eight months ended with February when gross totaled $33,113,287, an increase of $5,847,309 over the same period in the previous fiscal year and the deficit after all charges decreased to $2,188,266 from $3,197,327. V. 25, P. 729.

MASS. GAS.—Shows Gain.—Company shows a net gain in meters installed by the various subsidiary companies of 3,539, as compared with a gain of 3,481 meters in 1918. By acquiring a stock interest in the Beacon Oil Co., the company has entered a new field. The new company has under construction a refinery of 10,000 barrels capacity which should be completed by June, 1920. V. 25, P. 514.

PHILADELPHIA ELECTRIC. — Earnings Maintained.—Surplus for 1919 after charges and Federal taxes amounted to $3,205,026, equivalent to $2.22 a share of $25 par value, earned on $29,618,325 of capital stock against $2,032,394 surplus or $2.03 a share earned on $24,987,750 of capital stock in 1918.

PHILADELPHIA R. T.—Operating Costs Growing.—Wages of motormen and conductors on lines will be increased 3 cents per hour, making the maximum of 61 cents per hour, beginning May 1. This increase is in accordance with their co-operative plan, which provides that wages paid to employes of this company shall be an average of the wages paid in Chicago, Detroit, Cleveland and Buffalo, for similar work.

REPUBLIC RY. & LT.—Conditions Much Improved.—Net income for 1919 after all charges and taxes amounted to $685,946, equivalent after deduction of preferred dividends to $1.56 a share earned on the $6,206,000 common stock. In the preceding year after deduction of preferred dividends there was a deficit of $43,280. V. 25, P. 62.

MINING NOTES

AHMEK MINING.—Reports Larger Deficit.—Net deficit for 1919 amounted to $708,317 compared with $65,375 in preceding year. The company's working capital increased from $2,438,720 in 1918 to $2,709,065 last year. Poor showing due to curtailment of operations during the year owing to unfavorable conditions. The amount of copper produced shows a decline of more than 30%.

ARIZONA COMMERCIAL MINING.—Production Grows.—The 1919 production of copper, gold and silver shows a marked increase over the preceding year. This is particularly interesting because the company had been operated during the year more with the idea of developing additional ore reserves than of producing a maximum amount of copper. It was stated that development work during the year had been productive of excellent results in bringing to light additional good ore.

ANACONDA COPPER. — Zinc Operations Very Profitable.—A new high record established in March by company's electrolytic zinc plant which turned out 8,600,000 lbs. compared with 4,800,000 in January. The zinc ores running about 12% zinc, carry lead and precious metal values all of which have a good market at high prices making the zinc operations very profitable. Another profitable branch is the ferro-manganese, the price of which has advanced $100 a ton bringing it back to war level of $250 a ton. Further profit is expected from the phosphate business. V. 25, P. 594.

BARNSDALL CORP. — Increases Ore Properties.—Ore bodies in the copper property owned by the company have been increased by recent development work and tonnage in sight warrants the erection of a concentrating plant and other machinery to put the property on a producing basis by January 1 next. Plans are being compiled for the mill and the new 700-foot shaft should be completed within two months.

BOSTON & MONTANA DEVELOPMENT. — Good Prospects. — Development work done to date has opened sufficient ore to supply 500-ton mill for several years and work now being done is continually adding to company's ore reserves. Development on Park and Blue Jay veins continues to be satisfactory and mine is in shape for production for mill. Mill construction going well. Lower foundations completed.

CHILE COPPER.—Adjustment of Previous Accounts Causes Poor Showing.—Deficit for the last quarter of 1919 amounted to $590,916 compared with a surplus of $45,114 in preceding year. According to President Guggenheim, the unfavorable showing is due mainly to adjustments in accounts which are applicable to previous quarters and former years, and to the fact that copper on hand (although sold for future delivery) was carried at cost. Without reference to adjustments, outcome of quarter would show a very satisfactory showing. V. 25, P. 679.

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CHINO COPPER.—Sharp Decline in Earnings.—Net profits for 1919 after charges, but before Federal taxes, amounted to $1,301,797, equivalent to $1.49 a share ($5 par value) earned on the $4,349,900 outstanding capital stock, as compared with net profits of $3,908,222, or $4.49 a share earned on the capital stock in 1918. Decline in earnings due to smaller production and lower price of copper compared with 1918. But a market improvement and a fair demand has set in and the outlook for the copper industry is, on the whole, favorable. V. 25, P. 770.

EAST BUTTE COPPER.—Foreign Exploration and Development.—Exploratory work for the year amounted to 6,303 ft. which has developed an amount of ore estimated to be a little above that extracted during year. Reserves were holding out well, but new bodies discovered on the deeper levels were not so rich in copper. In view of this, it was considered advisable to carry on a certain amount of foreign exploration and development. Advantage was taken to develop a western extension of the producing area of the Tonopah Camp. Furthermore, in view of the great demand for oil, it was decided to enter this field and therefore extensive leaseholdings have been secured for development. V. 25, P. 314.

GRANBY CONSOLIDATED.—To Close Phoenix Mines.—Company will close and dismantle its mines at Phoenix because of the low grade copper ore that was handled on which the company paid several dollars in dividends. More than 13,000,000 tons of ore have been shipped from the property with a gross recovery of about $6,000,000. V. 25, P. 770.

INSPIRATION COPPER.—Earnings Decline.—Surplus for 1919 after charges and Federal taxes amounted to $4,186,629 or $3.54 a share of $20 par value on the $23,630,340 outstanding capital stock, compared with $6.96 earned in preceding year. Poor showing due to reduced output last year, advance prices paid for supplies and high wage scale. Present situation materially improved; labor conditions more stable, efficiency markedly increased and operations uninterrupted.

TONOPAH BELMONT DEVELOPMENT.—Conditions Improving.—Net profits for 1919 after expenses and Federal taxes were $569,806 or 37.9c a share on the 1,500,000 shares of $1 par value, against 37.1c earned on the capital stock for the 10 months ended Dec. 31, 1918. The indicated ore reserves of the Belmont mine, as of Jan. 1, 1920, consist of 112,133 tons of positive ore. As of Jan. 1, 1919, the positive ore reserves were estimated at 82,798 tons of crude ore. During the year 91,857 wet tons or about 888,348 tons of dry crude ore were mined, so that the ore reserves of the beginning of the year have been added to by 117,683 tons.

LA SALLE COPPER.—Makes Poor Showing.—Deficit for 1919 was $47,104 compared with surplus of $68,256 in preceding year, due to sharp decline in production of copper from 1,832,665 to 340,-

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719 lbs. in 1919. There was also a falling off in the company's working capital from $403,781 to $366,046.

MAMMOTH COPPER.—Developments Favorable.—Development of the huge deposit of copper ore recently uncovered in its Friday-Lowden ground by the company is bearing excellent results. It is understood that upward of 120,000 tons of profitable ore has already been placed in sight, with ore body showing sustained strength as work advances. In its Keystone group the company has also made important ore discoveries, and heavy shipments will be made from this area when the smelter goes into commission.

NATIONAL LEAD. — Favorable Outlook.—Company is experimenting with a new pigment called titanium oxide, which is said to have twice the covering power of white lead. It is hoped to be able to produce this at a cost that will render it of commercial value. Due to the satisfactory showing made by some of the subsidiaries including Magnus Metal Co., which makes brass bearings for railroad cars, company's outlook appears to be very favorable, especially since the business is less dependent upon staple products such as white lead, that are sold at a very small margin of profit. V. 25, P. 570.

RAY CONSOLIDATED—Earnings to Improve.—Net profits for 1919 after expenses but before Federal taxes amounted to $1,666,270, equivalent to $1.05 a share (par value $10) earned on $15,771,790 capital stock as compared with net profits of $4,653,455 or $2.94 earned on the capital stock in 1918. Physical and operating conditions of property are excellent and earnings are expected to return to normal. V. 25, P. 324.

SENECA COPPER.—To Increase Production.—Company has resumed sinking in the main shaft which has attained a depth of 2,100 feet. Resumption of mining on the third level will start immediately. The longitudinal work on the fourth level to tap the Kearsarge amygdaloid will not take long and then there will be two openings at that depth. It is planned to carry the shaft down to 2,600 feet rapidly. Sinking the Gratiot shaft will be undertaken May 1. Compare an analytical article on the company published in the last issue of the MAGAZINE OF WALL STREET.

OIL NOTES

ASSOCIATED OIL.—Acquires New Interests.—During 1919 company acquired a 55.56% interest in the Reward Oil Co., which produced 609,596 bbls. of oil in 1919, a 51.14% interest in New Hope Oil, and 61.25% in Western Minerals, the latter two controlling undeveloped acreage. In spite of these important additions, production of crude oil fell off from 7,078,273 bbls. in 1918 to only 6,180,571 in 1919, or more than 12%. Earnings for last year amounted to $15.27 a share on the capital stock of $39,756,085. The corporate surplus advanced to $12,764,600 from $9,604,617 in 1918. V. 25, P. 514.

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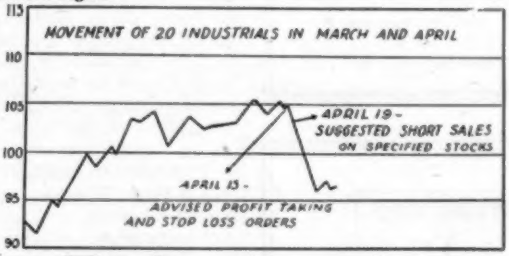

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BIGHEART REFG.—Mexican Property's Earnings Satisfactory.—Company's Mexican well is flowing regularly 40,000 bbls. daily and product is being sold to Tampico; earnings from Mexican petroleum alone are at rate of $1 a share. Shipments in March established a record with respect to volume and earnings; April is expected to top the previous high figures, since the company is now getting increased deliveries on its 200 new tank cars ordered some time ago. V. 25, P. 427.

STANDARD OIL, N. J.—To Increase Stock. Earnings Statement.—Will increase its $100,000,000 7% cumulative non-voting preferred stock to $200,000,000; additional preferred is callable at 115. Of the increased stock, $98,338,300 will be offered to common shareholders of record May 14 at par, subscription rights to close on June 15, on the basis of one new preferred for each share of common held. Present preferred holders do not have any subscription privilege. According to Pres. Teagle the proceeds of the issue will be used to acquire oil lands, to enlarge and improve refining and distributing facilities, to pay for tank steamers under construction and to provide additional working capital. Estimated earnings for 1919 are $75,164,774 for the common stock of 983,383 shares outstanding, of $76.43 a share. Production of crude oil in 1919 amounted to 20,000,000 barrels, and company has holdings of approximately 2,500,000 acres of undeveloped lands in the United States and foreign countries situated in proven or promising territory. V. 25, P. 774.

TRANSCONTINENTAL OIL.—To Build New Plant.—Company will construct a plant for handling the by-products of a 6,000 barrel oil refinery, at a cost of approximately $1,000,000. This ought to add to company's earning capacity and be reflected in the price of the stock. V. 25, P. 597.

UNION OIL OF DELAWARE.—Subsidiaries Doing Well.—Figures from Columbia Oil and subsidiaries of Commonwealth Petroleum show combined net earnings for the first two months of 1920 of $339,000. Of this amount $22,000 was due to increased crude oil price on Feb. 1, which with subsequent price increase on March 1, added more than $60,000 a month to profits from these subsidiaries compared with prices prior to Feb. 1. These earnings do not include income and earnings from other properties of the Union Company. The subsidiary companies have 14 drilling outfits working on proven areas and 3 test wells on unproven acreage. V. 25, P. 143.

WHITE OIL. —In Good Position.—Average daily production has been increased to 6,000 barrels and company now has 58 wells drilling. Sales in the four months, from the time of organization to Feb. 28, 1920, aggregated $3,426,579 and accounts receivable on the same date were $511,451. These accounts were built up through the sale of production and through the opera-

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tion of jobbing department, which has developed a gross business now running at the rate of $4,500,000 per year. The output of the company's refinery at Clarendon, Pa., continues to increase, its gasoline and kerosene sales running at the rate of $1,500,000 a year. Since the formation of the company 4,675 acres of additional land have been acquired in Texas, Louisiana, Oklahoma, Kansas and Kentucky. On March 23, 1920, the company had 716 stockholders. Company may strike oil in a new well on its Norman lease in the Homer field, which if true, ought to enhance its value considerably. V. 25, P. 54.

ISLAND OIL.—Settles Important Law Suit.—In accordance with the settlement of the differences between the company, Richmond Levering & Co. on the one hand and the Metropolitan Petroleum Company on the other, all oil rights and other property owned or claimed by the latter will be transferred to the company. All outstanding debentures of the Metropolitan Co. will be cancelled, leaving the company 525,000 shares of Island Oil stock, this including shares originally received. After payment of all expenses of the Metropolitan Co., five-sixths of a share of Island Oil for each Metropolitan share are expected to remain for distribution among shareholders. Steps will be taken to dissolve the Metropolitan Co.

ROYAL DUTCH.—To Increase Capital.—In view of recent heavy expenditures in increasing its fleet activities in different countries it is proposed to increase its capital by making further issue of shares at par. The amount of the contemplated increase to be determined at a later date. V. 25, P. 344.

RYAN PETROLEUM.—Production Figures.—Production of oil from the company's properties, composed principally of a 60-acre lease at Burkburnett, during 1919 amounted to 330,000 barrels, with an estimated value of $700,000. This included a yield of 60,000 barrels the second qparter, 200,000 barrels the third and 70,000 barrels the fourth. The average daily production now is about 700 or 800 barrels from 15 wells. Flush production from these Burkburnett wells is past. V. 25, P. 683.

SKELLY OIL.—To Increase Production.—Company has completed 2 wells of 900 barrels capacity in the Hewitt pool (Oklahoma), where it owns 60 acres of land, 10 of which outright and the remaining 50 in partnership with others; it also owns approximately 175 barrels daily production in the Clara pool west of the Burkburnett field. V. 25, P. 515.

CHAMPION OIL.—Earnings Satisfactory.—Earnings of the company for the year ending December 31, 1919, were at the rate of $367,200 a year or over 20% on the issued capital. There are surplus and undivided profits amounting to $833,016. Dividends are being paid at the rate of 1% a month. The company is capi-

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talized at $5,000,000 of which $1,338,600 has been issued.

COSDEN & CO. — Par Value Changed.—Stockholders authorized the change on the par value of the outstanding shares of common stock from $5.00 each to shares without par value, and further authorized the exchange of five shares of old common stock for one share of the new. Exchange may be made at offices of U. S. Mortgage & Trust, N. Y., or Equitable Trust of Baltimore.

GILLILAND OIL.—Large Sales to Standard Oil. — One of the largest transactions on record involving the sale of stored oil has been completed here. Standard Oil of Louisiana has purchased from the company 850,000 barrels of oil, which the latter company has in storage at its Homer field tank farm, for $2,500,000. This represents the market price of $3.25 a barrel for Homer crude. V. 25, P. 772.

GULF COAST OIL. — Advances Price.—Company has advanced the price of oil to $3 a bbl. which may lead the large Mid-Continent companies to advance the price of light oil from its present price of $3.50 a bbl. although general opinion differs with regard to this.

INDIAHONIA REFG. — Earnings Statement.—Earnings for the three months ended March 31, 1920, showing net earnings after depreciation and Federal taxes, of $696,074, equivalent to 69 cents a share earned on the 1,000,000 shares of capital stock at $5 par value, earnings for the current year are estimated at $2,750,000 or about $2.71 a share.

OSAGE NATION OF OKLAHOMA.—Outlook Bright.—Daily production about 50,000 bbls. due to the excellent operations of the oil and gas departments. Total amount paid last year in royalties and lease bonuses was $11,000,000 and approximately $6,000,000 was undivided earnings. With exploration of non-producing lands well under way, followed by frequent sales and leases in these districts, the outlook for the company is very bright.

PIERCE OIL. — Earnings Statement.—Net income for the 11 months ended November 30, 1919, but before Federal taxes, amounted to $3,054,758, equivalent to $2.22 a share of $25 par value on the $21,949,700 outstanding common stock, after allowing for preferred dividends at the rate of 8% per annum. V. 25, P. 574.

PRODUCERS & REFINERS. — Brings in Three Wells.—In the week to April 20 the Producers & Refiners Corporation brought in three important wells in different districts of the Beggs Field of Oklahoma. Number three on the Marshall lease is flowing 300 barrels daily; number twelve on the McIntosh lease began flowing at the rate of 850 barrels a day and has since increased its flow to 1,200 barrels a day; and Number one on the Getz lease is now flowing 1,200 barrels daily, actual gauge. The latter well extends the Producers & Refiners' proven acreage in the Beggs field more than a quarter of a mile. V. 25, P. 596.

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UNLISTED NOTES

ABITIBI POWER & PAPER.—Good Outlook. — Gross for 1919 amounted to $6,029,354 compared with $5,650,264 in 1918 and $4,422,758 in 1917. Balance available for distribution to shareholders after interest, taxes and depreciation was $1,004,230, against $511,202 the preceding year. Surplus after dividends on both classes of stock was $501,730, bringing total corporate surplus up to $1,574,980. Net working capital increased to $1,593,459 from $700,725 in 1918. As contracts have been made for three additional newsprint machines and one wrapping paper machine, which will bring capacity of plant up to about 500 tons a day.

ANGLO - SOUTH AMERICAN BANK.—Declares Special Dividend.—Has declared an interim dividend at rate of 12% per annum; also a special dividend to compensate shareholders for loss resulting from the reduction in dividends early in the war period. The special dividend is at the rate of 20% less tax (10 shillings per share).

BEACON CHOCOLATE.—Sales to Increase.—Sales for 1919 were approximately $2,400,000 and for the current year should run close to $5,000,000. Net profits last year were $315,000 and for 1920 are expected to total close to $500,000. Earnings before taxes for January and February alone were $182,000 or at an annual rate of $782,000. Net before taxes would therefore be around $3.50 a share, or about $2 after taxes.

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4%	Amer Chicle, p.....	1 %Q	4-20	5- 1
8%	Amer Cigar, c......	2 %Q	*4-15	5- 1
....	Am Ex Nat Bk, ext	2 %	*4-24	5- 1
6%	Am G & El, p ($50)	1½ %Q	4-17	5- 1
10%	Amer Glue, c.......	5 %S	4-17	5- 1
....	Amer Glue, c, ext..	5 %	4-17	5- 1
$1	A La F F E, c ($10).	25c Q	5- 3	5-15
6%	Am Lt & Trac, p...	1½ %Q	4-15	5- 1
10%	Am Lt & Trac, c..	2½ %Q	4-15	5- 1
....	Am Lt & Tr, c, ext.	e2½ %	4-15	5- 1
7%	Amer Radiator, p..	1¾ %Q	5- 7	5-15
10%	Am Sumatra Tob, c.	2½ %Q	4-19	5- 1
$6	A Z, L & S, p ($25).	$1.50 Q	4-15	5- 1
$4	Anacon Cop ($50).	$1 Q	4-17	5-24
....	Arkansas Nat G, p..	7 %	5-15	5-25
....	Cha'n Cot Mills, ext	8 %	4-12	5- 1
6%	Cities Serv, p "B".	½ %M	4-15	5- 1
6%	Cities Service, p...	½ %M	4-15	5- 1
6%	Cities Service, c...	½ %M	4-15	5- 1
....	Cities Serv, c ext..	e1¼ %	4-15	5- 1
....	C. S, bkrs s (no p).	gg53.87c	4-15	5- 1
7%	Clinchfield Coal, p.	1¾ %Q	4-26	5- 1
....	Clinchfield Coal, c.	¾ %	5-10	5-15
8%	Cluett, Peabody, c.	2 %Q	4-21	5- 1
8%	Commonwealth Edi.	2 %Q	4-15	5- 1
20%	Corn Exchange B'k	5 %Q	4-30	5- 1
7%	Cudahy Packing, p.	3½ %S	4-21	5- 1
12%	Dom O (Tex) ($10)	1 %M	4-15	5- 1
6%	Dominion Steel, p..	1½ %Q	4-15	5- 1
5%	duP deN Powder, p	1¼ %Q	4-20	5- 1
6%	duP deN Powder, c	1½ %Q	4-20	5- 1
$12	Eureka Pipe Line..	$3 Q	4-15	5- 1
10%	Fajardo Sugar	2½ %Q	4-20	5- 1
20%	Farmers Loan & T	5 %Q	4-20	5- 1
....	Federal M T, ext.	x100 %	4-24	5- 1
6%	Federal Sug Refin, p	1½ %Q	4-21	5- 1
7%	Federal Sug Refin, c	1¾ %Q	4-21	5- 1
7%	Fisher Body, p.....	1¾ %Q	4-20	5- 1
$10	Fisher Body, c.....	$2.50 Q	4-20	5- 1
7%	Ft Worth P & L, p	1¾ %Q	4-20	5- 1
....	Ful Mot T, stk d.	x100 %	4-24	5- 1
6%	General Motors, p.	1½ %Q	4- 5	5- 1
6%	Gen Mot, 6% deb.	1½ %Q	4- 5	5- 1
7%	Gen Mot, 7% deb.	a 1¾ %Q	4- 5	5- 1
10%	General Motors, c..	2½ %Q	4- 5	5- 1
....	Gen M, c (no par).	a25c	4- 5	5- 1
....	G M, c (no p) stk.	v 2½ %	4- 5	5- 1
....	Gen M, c stk div.	v 2½ %	4- 5	5- 1
8%	Goodrich (B F)..	e 1½ %Q	5- 5	5-15
$6	Hav E R, L & P, p.	$3 S	4-23	5-15
$6	Hav E R, L & P, c.	$3 S	4-23	5-15
7%	Holly Sugar, p.....	1¾ %Q	4-15	5- 1
10%	Hupp M C, c ($10)	2½ %Q	4-15	5- 1
$8	Indiana P L ($50).	$2 Q	4-25	5-15
6%	Internat'l Nickel, p.	1½ %Q	4-16	5- 1
7%	Kayser (Jul), 1st p.	1¾ %Q	4-20	5- 1
7%	Kayser (Jul), 2nd p	1¾ %Q	4-20	5- 1
8%	Kelly Spr T, 8% p	2 %Q	5- 1	5-15
$4	Kelly S T, c ($25).	$1 Q	4-17	5- 1
....	Kelly Sp T, c ext.	e 3 %Q	4-17	5- 1
7%	Kelsey Wheel, p...	1¾ %Q	4-20	5- 1
$2	Loew's, Inc (no p).	50c Q	4-19	5- 1
10%	Merritt Oil ($10)..	2½ %Q	4-30	5-15
$2	Miami Copper ($5).	50c Q	5- 1	5-15
$4	Midv S & O ($50).	$1 Q	4-17	5- 1
8%	Midwest Oil, p ($1)	2 %Q	4-15	5- 1
$4	Midwest Ref ($50).	$1 Q	4-15	5- 1
....	Midwest Refin, ext.	50c	4-15	5- 1
8%	Mullins Body, p...	2 %Q	4-17	5- 1
7%	National Biscuit, p.	1¾ %Q	5-17	5-29
6%	Nat Enam & S, c.	1½ %Q	5-11	5-31
7%	National Tea, p....	1¾ %Q	4-19	5- 1
5%	N Y Central.......	1¼ %Q	4- 1	5- 1
5%	N Y, C & S L, 2d p	2½ %S	4-19	5- 1
4%	Norfolk & Westn, p	1 %Q	4-30	5-19
7%	Northern Pacific...	1¾ %Q	3-19	5- 1
50c	Sapulpa Refin ($5).	12½c Q	4-20	5- 1
8%	Sears Roebuck, c..	2 %Q	4-30	5-15
6%	Sloss-Sheff S & I, c	1½ %Q	4-28	5-10
10%	Stand Motor Const	2½ %Q	4- 5	5- 3
8%	Stewart Mfg, p....	2 %Q	4-15	5- 1
....	Stude C, c stk div.	e33⅓ %	4-19	5- 5
8%	Superior Stl, 1st p.	2 %Q	5- 1	5-15
8%	Superior Stl, 2nd p.	2 %Q	5- 1	5-15
7%	Untd D, 1st p ($50)	1¾ %Q	4-15	5- 1
$2	United Verde E Co.	50c Q	4- 5	5- 1
$1	Willys-Over, c ($25).	25c Q	4-20	5- 1
5%	Wilson & Co, c...	1¼ %Q	4-21	5- 1
$6	Wrigley (W), Jr..	50c M	4-25	5- 1

a Initial dividend.

aa Initial dividend covering 6 months from Nov. 1 to May 1. Hereafter dividends will be paid quarterly.

e Payable in common stock.

gg Includes regular monthly ½% cash dividends and cash proceeds from sale of stock dividends due on Bankers Shares.

v Payable in new common stock of no par value.

x Declared payable in stock.

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The Board of Directors have declared the regular quarterly dividend of two and one-half per cent (2½%) on the common capital stock of the Company, payable April 30, 1920, to the holders of the common stock of record at the close of business on April 15, 1920. The books will not be closed.

FREDERICK R. ROBINSON, Secretary.
Detroit, Michigan.
March 26, 1920.

PACIFIC GAS AND ELECTRIC CO.

FIRST PREFERRED DIVIDEND NO. 23
ORIGINAL PREFERRED DIVIDEND NO. 57

The regular quarterly dividend of $1.50 per share upon the full-paid First Preferred and Original Preferred Capital Stock of the Company will be paid on May 15, 1920, to shareholders of record at close of business April 30, 1920. The transfer books will not be closed and checks will be mailed from the office of the company in time to reach stockholders on the date they are payable.

A. F. HOCKENBEAMER,
Vice-President and Treasurer.
San Francisco, California.

ATLAS POWDER CO,
140 N. Broad Street,
Philadelphia, Pa., April 13, 1920

The Regular Quarterly Dividend of 1½% on the Preferred Capital Stock of Atlas Powder Company has been declared by the Board of Directors, payable May 1st, 1920, to stockholders of record at the close of business on Tuesday, April 20th, 1920. The stock Transfer Books of the Company will be closed against the transfer of Preferred Stock at the close of business on April 20th, 1920, and will be reopened at nine o'clock A. M., May 1st, 1920

ATLAS POWDER COMPANY.
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(*Continued from page* 1037)

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